JPRS-UWE-85-011

16 October 1985

USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 7, July 1985

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service (NTIS), Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semimonthly by the NTIS, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

JPRS-UWE-85-011

16 October 1985

USSR REPORT

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 7, July 1985

Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

CONTENTS

English Summary of Major Articles..... 1

Urgent Need for Intensification of Economy Stressed (pp 3-13)..... 5

Yakovlev on Continuing Need for Warsaw Pact (pp 14-25)
(A. Yakovlev)..... 18

Economic Problems of Scientific-Technical Progress in the Capitalist Countries (pp 26-37)
(A. Dynkin)..... 32

Military-Industrial Complex in the System of State-Monopoly Capitalism (pp 38-49)
(A. Nikonov, R. Faramazyan) (not translated)

Wages Under the Conditions of the Increased Instability of the Capitalist Economy (pp 50-59)
(V. Lyubimova) (not translated)

Cooperation Between CEMA Countries, Third World Discussed (pp 60-72)
(L. Zevin)..... 44

Industrial Development in ASEAN (pp 73-85)
(V. Mikhalev) (not translated)

INTERNATIONAL REVIEW

Overview of International Events (March-May 1985) (pp 86-105)
(V. Babak, Yu. Krasheninnikov)..... 59

DISCUSSION

Interdependence of Socialist, Capitalist Economies Viewed (pp 106-113)
(E. Pletnev)..... 78

OUR CORRESPONDENT ABROAD

Social-Economic Contradictions in France Discussed (pp 114-122)
(A. Kudryavtsev)..... 92

SCIENTIFIC LIFE

IMEMO Conference on 40th Anniversary of World War II (pp 123-130)..... 108

Birthday of Prof V.V. Zubchaninov (pp 131-132) (not translated)

SURVEYS, INFORMATION

Japanese Capital in Britain (pp 133-137)
(M. Belyayev) (not translated)

WE ANSWER READERS' QUESTIONS

Development Funds in Arab World Detailed (pp 138-141)
(K. Fedotov)..... 112

BOOKS, AUTHORS

Book on Conservatism, Reformism Reviewed (pp 142-143)
(V. Usoskin)..... 119

Review of "Inflation in the Era of Social Revolutions" (pp 144-147)
(S.A. Dalin) (not translated)

Review of "Current Problems and Prospects of the World Capitalist Economy. Critical Analysis of Bourgeois Concepts" (pp 147-149)
(A.I. Shapiro) (not translated)

Danish Book on Deployment of U.S. Missiles in Europe Reviewed (pp 150-151)
(K. Voronov)..... 122

Review of Book on Pakistan's Foreign Policy (pp 152-153)
(O. Pleshov)..... 125

Review of "Informatisation du Tiers monde et cooperation internationale. Notes et Etudes documentaires. La Documentation francaise" (pp 153-155)
(J. Conquy Beer-Gabel) (not translated)

Book on Economic Organizations of Developing World Reviewed (pp 156-157)
(I. Korolev)..... 128

PUBLICATION DATA

English title	:	WORLD ECONOMY AND INTERNATIONAL RELATIONS No 7
Russian title	:	MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA
Author(s)	:	
Editor(s)	:	Ya.S. Khavinson
Publishing House	:	Izdatel'stvo TsK KPSS "Pravda"
Place of publication	:	Moscow
Date of publication	:	July 1985
Signed to press	:	12 Jun 1985
Copies	:	

COPYRIGHT : Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1985

ENGLISH SUMMARY OF MAJOR ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNA. ..NYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 158-159

[Text] "The Strategic Line for the Activity of the CPSU"

The article points out that only a few months are left till the 27th Party Congress of the USSR is to analyze comprehensively and realistically assess the results of the achievements since the 26th Congress, to determine the prospects for further development and the tasks facing the internal and foreign policy. The CPSU Central Committee Plenary Meeting on 24 April 1985 once again confirmed the continuity of the strategic line, elaborated by the 26th Party Congress and the subsequent, plenary meetings of the Central Committee. The forthcoming 27th CPSU Congress will become a landmark in the country's progress. Its importance is determined by the paramount significance of the questions proposed for discussion, the character of the current period and the newness and scope of the tasks facing society. The article points out that the USSR since World War II has made a great progress in all fields of economic, social and cultural development. But its main task today is to radically step up the social and economic advancement of the nation, which is required by life itself, both by internal and external factors. As a key strategic lever of intensification of the national economy and better use of the accumulated potential is the cardinal expediting of scientific and technological progress. Within a short period of time the USSR must reach the highest possible levels of labor productivity, quality of products and efficiency of production. The Soviet Union will steadfastly follow the Leninist course of peace and peaceful coexistence, determined by its social system, moral and world outlook.

A. Yakovlev in the article "Warsaw Treaty: Its World Importance" stresses the great significance of the prolongation of the Warsaw Treaty which has reliably served for 30 years the development and strengthening of all-around cooperation among the states affiliated to it, guaranteeing their sovereignty, security and the inviolability of their borders, the joint development and implementation of their peaceloving foreign policy course. The Organization has played an outstanding role in the preservation and strengthening of peace in Europe and all over the world. For the past 30 years the Warsaw Treaty has accumulated an experience of historical importance. The socialist foreign policy and the corresponding to it defense doctrine have merged in the activities of this union. The article compares the peaceful activities of the Warsaw Treaty with U.S. and

NATO bellicose aspiration towards stepping up an unparalleled arms race. It reveals the reasons for the conclusion of the Warsaw Treaty as a timely and equivalent answer to the military preparations in Europe waged by NATO. The author describes how the Warsaw Treaty member-countries tried to stimulate first of all economic and political aspects of relations with the Western countries and sought opportunities for maintaining the norms and principles of peacefu' coexistence of states with different social systems, trying to narrow down the field of maneuvering of American militarism and hamper its activities. He points out how the Warsaw Treaty and NATO differ from the point of view of their practical activities, both in style and content. All the activities of NATO are permiated with the spirit of militarism and anti-sovietism. The article speaks about numerous Soviet Union and Warsaw Treaty peaceful initiatives and the negative way the U.S.A. and NATO react to them.

The economic development of capitalism during the recent decade has been characterized by a series of interwoven negative trends namely the prolonged stagnation, structural discrepancies, high rates of inflation intermingled with the technological unemployment monetary instability. A. Dynkin in the article "Economic Problems of Scientific and Technological Progress in Capitalist Countries" highlights the accelerated pace of the technological change under the drastically deteriorated conditions of the capitalist reproduction. The bourgeois state and the private sector came to acknowledge the challenges and the constraints of the contemporary technological progress, seeking for the ways and means to adjust to the new economic and technical realities. The author outlines the priorities of the today's R&D in the capitalist countries, laying the major emphasis on the three prime leaders: microelectronics, recomposed on the submicron level new materials and biotechnology. It's these three locomotives of technical change that exert the determining influence upon almost all spheres of material production and service sector. The author also assesses the economic content of the contemporary technological advance, its important societal impacts both in quantity and in quality, and concludes the paper with some general comments on the probable developments of the capital-labor relationship in the new technological environment.

A. Nikonov and R. Faramazyan in the article "Military Industrial Complex in the System of State-Monopoly Capitalism" note that the intertwinning of bourgeois state with monopolies is a typical feature of state-monopoly capitalism. This process being of multifaceted character, embraces all spheres of relations between the state and a broad range of monopoly amalgamations. The aggressive nature of imperialism has predetermined the ever growing ties between monopolies and state, the military sphere included. But their character and content, the degree of their cohesion and practical impact on the economy and policy are far from being similar in all imperialist countries. State monopoly capitalism has its own specific character and peculiarities in each of them. What unites them is the process of joining of military business with a certain part of the state machinery, including the upper military strata which has come into being and is developing alongside with the state monopoly capitalism. As a result in some countries a system known as the military-industrial complex has taken shape and is functioning. The article explains the peculiarities of its present-day development under the banner of anti-communism and anti-sovietism.

V. Lyubimova in the article "Wages in Conditions of Growing Instability of Capitalist Economy" considers the period from the middle of the 1970's and to early 1980's when the state-monopolistic policy of distribution of incomes among classes became openly detrimental to the working people. It was affected by such factors as the economic crises of 1974-1975 and 1980-1982, structural crisis, spreading to some important branches of industry, the development of the scientific and technical revolution in conditions of capitalism with all its negative consequences first of all unemployment and last but not least the arms race, resulting in a drastic cut of allocations for social needs. During the crisis of the 1974-1975 "rigid economic drive" on wages and social allowances failed to be completely realized owing to the active refuff of the working people. During the crisis of the 1980's and after its labor-saving techniques were more actively introduced resulting in growing unemployment. State-monopolistic policy acquired the nature of an all embracing, long-term offensive on the working-people's socioeconomic and democratic rights and organizations. The governments of the leading capitalist countries and monopolies sought to conclude collective labor agreements advantageous to them. The trade unions were compelled to take a defensive stand and make serious concessions in wages in the collective agreements. In 1984 a certain reviving of the struggle of the working people took shape. It was carried out in difficult conditions.

The article by L. Zevin "Economic Cooperation of CEMA Countries with Developing States: Fabrications and Realities" examines the works of certain Western politologists and economists dealing with the cooperation between CEMA countries and developing states within the context of the movement for the New International Economic Order. Attempts are being made in the West to prove despite facts that the socialist community allegedly stands aside this movement and is indifferent to its problems. The basic aim of such allegations is to ease the tension caused by the claims of the developing countries to advanced capitalist states, to limit the reform of international economic ties to superficial measures, to create the impression that the united front of "rich" countries resists the demands of the "poor" ones, to split the movement for the new international economic order, to separate it from its true allies and friends--the socialist community. The article emphasizes that at present the efforts of the USSR and other industrially developed CEMA countries towards rendering assistance to the developing states are not only inferior, but in some cases superior to those of the developed capitalist states. The very nature of the socialist system, the desire of the socialist states to take into consideration the long-term interests of their partners have generated new methods of assistance to the developing states. Unbiased scholars in the West have to acknowledge the existence of different approaches to the cooperation with the developing countries on the part of the countries with opposing systems.

V. Mikhalev in the article "Industrial Development and Economic Changes in ASEAN Countries" notes that the key role in the socio-economic reconstruction of most of the developing countries goes to industrialization. Its dynamics, forms and methods carry the imprint of contest and struggle of the two opposing social systems as well as of the changes in the international division of labor, generated by the scientific-technological revolution, the deepening of the crisis of the world capitalist economy and the imperialist neocolonialist policy. The author refers to the main problems and trends of the industrial growth of

the ASEAN countries and shows how it affects their economic development. The article consists of four parts which consider, firstly, the tempo of growth and the changes of the structure of the branch industries as the most important factor which affects the dynamics and industrial growth proportions both in demand and supply. Secondly, it examines the evolution of the strategy of industrialization and the state economic policy; thirdly, the changes in the GNP structure, problems of employment and internal economic integration; fourthly, changes in foreign economic relations and problems of economic cooperation of ASEAN countries. The author arrives at the conclusion that industrial development as an important factor of economic progress, contributes to the reconstruction of the ASEAN countries' retarded social structures and the gradual overcoming of the one-sided agro-raw material trend of the local economy.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

CSO: 1816/16

URGENT NEED FOR INTENSIFICATION OF ECONOMY STRESSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 3-13

[Editorial: "The Militant Program of Party Activity"]

[Text] Little more than half a year remains before the day when the next, 27th CPSU Congress will begin its work in Moscow. The months leading up to the congress are a period of particularly intensive and multifaceted work for the party and for every communist in our country--political, economic, organizational, and ideological-theoretical work. Work which, as it was emphasized at the April (1985) CPSU Central Committee plenum, requires a thorough grasp of every aspect of the present situation, bold decisions, and energetic actions.

During these months party activity will primarily be concentrated on ensuring the organic, complete fulfillment of both current and long-term tasks in our development. This is always the case at the junction of two 5-year plan periods, when the current, concluding stage of communist construction hands over the baton of achievements to the next stage, as well as a list of new tasks and new problems set by the course of our socioeconomic development and by the particular features of international life.

Now it is important to analyze comprehensively and realistically appraise the results of the vast amount of creative work done by the soviet people under the leadership of the CPSU since the 26th CPSU Congress: to correctly determine the prospects of the country's further development--for the coming 12th 5-year plan period and up to the end of this century; and to formulate concrete tasks in both domestic and foreign policy.

The April (1985) Central Committee plenum confirmed the continuity of the strategic course developed by the 26th Party Congress and subsequent central Committee plenum. As M.S. Gorbachev, general secretary of the CPSU Central Committee, emphasized in his report, "in the Leninist interpretation, continuity means making indispensable progress forward, revealing and resolving new problems, and eliminating everything that stands in the way of development. We must adhere to this Leninist tradition while enriching and developing our party policy and our general course to perfect the society of developed socialism."

The 27th CPSU Congress, which will doubtlessly become a landmark in our country's history and in its socioeconomic and political development, has to make an important contribution to the realization of this principle. The new edition of the Party Program will be adopted at this congress and changes will be made to the CPSU Statute. The significance of the forthcoming forum of Soviet Communists is determined by the paramount importance of the problems introduced for discussion, by the nature of the present time, and by the newness and scale of the tasks facing soviet society.

Preparation for the congress and the forthcoming accountability report and election campaign are expected to comprehensively help to develop communists' activeness and responsibility, increase the combined efficiency of the party organizations, strengthen their ties with the masses, further develop criticism and self-criticism at every level, and finally, enhance the leading role of the party. In this connection the plenum particularly stressed the role of primary organizations, which constitute the main potential of the party.

I

Under the leadership on the party our country has achieved great success in every sphere of social life. Today it has a powerful, comprehensively developed economy and highly-skilled cadres of workers, specialists, and scientists. In many aspects of development in production, science, and technology the Soviet Union firmly occupies leading positions in the world.

The most profound changes have taken place in the social sphere. For the first time in history the working man has become the real master of his country and an active, aware creator of his own destiny. The guaranteed right to work and to remuneration, society's concern for every one of its members--from birth to old age, broad access for everyone to spiritual culture, respect for human dignity and human rights, and the steadily increasing participation of the working people in administration are permanent values and inalienable features of the socialist way of life. In all this lies a most important source of socialist society's political stability and of social optimism and confidence in the future.

The 40th anniversary of the great victory over German fascism and Japanese militarism, widely celebrated in our country this year, once again reminds us that our ascent to the heights of economic and social progress was achieved not only in a short historical space of time--little more than two thirds of a century, but also under the most difficult external conditions which imperialism forced and continues to try to force on us. Almost one third of the country's national wealth created by the people's labor was swallowed up by the Great Patriotic war. Many hundreds of towns and thousands of villages had to be built up afresh and tens of thousands of industrial and agricultural enterprises had to be restored. But even work to restore what had been destroyed by the war and the peaceful, creative labor of the Soviet people have been conducted and continue to be conducted in international conditions which oblige us to allot considerable resources to maintain the necessary level of the country's defense capabilities.

There is no doubt that if it were not for such obstacles in the way of soviet society's progressive development then the achievements of our people's creative genius could be still more impressive. But the advantages of the new social system and the potential inherent in them for liberating the labor and energy of many tens of millions of people have also been fully manifest in those successes of which the land of the soviets is rightly proud.

The enemies of socialism, who counted on the possibility of smothering the first socialist revolution in the world through starvation and economic blockade, miscalculated. An error was also committed by those who assumed that it would be beyond the Soviet Union to raise the country from ruins and simultaneously respond to the challenge thrown down by those who conceived and unleashed the "cold" war and actively prepared for a "hot" war--nuclear war--on or a hitherto unprecedented scale. And those representatives of contemporary imperialism who gamble on socialism's supposed "technological dependence" on the West and put their trust in "economically bleeding white" the USSR in the course of more and more new spirals of the arms race will also be disgraced.

Changes on a truly historic scale place in the world over the postwar decades. The Soviet Union has progressed far in every sector of economic, and spiritual developments walk the path of building a new society together with the Soviet Union. The socialist community--a genuine fraternity of peoples and the center of fundamentally new interstate mutual relations between states and peoples--has taken shape and is dynamically developing. Its salutary influence on every aspect of international life becomes stronger with every passing year.

While drawing nearer to the 27th Party congress, communists and all soviet people look back at the path trodden with legitimate pride. Today the USSR is a mighty, flourishing power, the successes of which even our enemies are compelled to acknowledge. During the postwar period the country's national income has increased more than 16 times in comparison to the prewar period, and industrial production has increased 24 times. Profound qualitative changes have also been achieved in the structure and scientific-technological level of production. Many new branches of industry have been formed which determine the face of the contemporary industrial state. The economic development of vast regions of the country is in progress, each of which is larger than some European states.

The rapid development of the economy has made it possible to begin and energetically implement a turn toward more and more fully satisfying the material and spiritual needs of the Soviet people--on both an individual and a social level. Now the real income per capita of the population exceeds prewar levels by more than 6 times. A vast quantity of housing, public health care institutions, education establishments, kindergartens, and so forth has been built.

Profound changes have taken place in the cultural level of Soviet people. The USSR now has at its disposal the largest detachment of engineers and scientists in the world. The professional skill of workers in industry and agriculture has significantly increased. All index relating to the people's level of education and culture have fundamentally changed. The contemporary Soviet individual is one with a broad political and intellectual horizon and great cultural needs.

Among the historic achievements of the Soviet people is that of successfully resolving major social problems. The entire system of social relations has risen to a new level of maturity. Optimum conditions are ensured for the flourishing of socialist nations and nationalities and for their comprehensive, organic drawing together. A new, historical social community is developing--the Soviet people. The system of socialist self-government is being perfected and socialist democracy, in which new millions upon millions of our country's citizens actively participate is being developed.

However, complacency and resting on one's laurels has always been alien to communists. The dialectics of development are such, noted M.S. Gorbachev, "that the goals for which we are aiming widen the historical horizon and set the people more complex, responsible tasks. Such tasks face us today. Their essence lies in the necessity to achieve a new, qualitative state of society--its economy, its system of sociopolitical relations and institutions, and the entire aggregate of working and living conditions of the millions of Soviet people."

The April (1985) CPSU Central Committee plenum was devoted to examining and resolving mature problems. The party regards the main task of today as being that of fundamentally speeding up the socioeconomic progress of soviet society. This is dictated by the entire course of life--the requirements and conditions of the country's internal development and also the international situation. In contemporary conditions only the intensive, dynamic development of the national economy, based on the latest achievements of science and technology, can serve as the basis which will make it possible also henceforward to ensure further growth in the people's well-being, the strengthening of the country's economic and defense might, and the comprehensive perfection of developed socialism.

In addition to successes, the plenum also noted unfavorable trends and difficulties in the country's economic development, and it revealed and analyzed their objective and subjective causes. The main thing, it was emphasized at the plenum, is that changes in the methods of economic operations. And--particularly important--persistence has not been shown in developing and implementing large-scale measures in the economic sphere. The plenum report directly emphasized that "by extensively utilizing the achievements of the scientific-technological revolution and bringing the forms of socialist economic operations in line with contemporary conditions and requirements, we must achieve a vital acceleration of socioeconomic progress. There is simply no other way."

The plenum pointed out significant organizational-economic and social reserves and the importance of comprehensively making the human factor more active so that every individual works conscientiously and to full potential in his work place. Shortly before the plenum a conference was held in the CPSU Central Committee with workers, economic leaders, specialists, and scientists. The participants in the conference noted, in particular, that when the pressing necessity arises, the only on account of the collectives and their leaders somehow pulling themselves up and beginning to work better does labor productivity rise in short space of time and on a scale at times comparable to the plan tasks for the entire 5-year plan period.

The participants in the plenum were unanimous in the fact that if available reserves are brought into operation and organization and discipline increased, then this alone will make it possible to gain comparatively rapid feedback. The timely and qualitative observance of contractual obligations and planned time limits for introducing and mastering new resources is essential, as is the determined struggle against any manifestations of extravagance and waste. Without establishing proper order at every enterprise and building site, in every kolkhoz and sovkhoz, and in every institution and organization there can be no talks of efficient economic operations or growth in the efficiency of the economy. It is also necessary to be able to interest people in making maximum use of all reserves for increasing production and its efficiency.

The party regards a cardinal acceleration of scientific-technological progress as the main lever for intensifying the national economy in contemporary conditions. Today, simply perfecting existing technologies and partially modernizing machines and equipment at enterprises is no longer enough. The plenum emphasized that revolutionary changes are needed: a transition to fundamentally new technological systems and to the very latest equipment capable of yielding the highest possible productivity, reducing material intensiveness and raising return on funds, and ensuring the proper qualitative parameters of manufactured products. For this it is necessary to impart a priority nature to the development of machine construction and to devote prime attention to branches that act as catalysts of scientific-technological progress, such as machine tool construction, computer equipment, instrument making, electrical equipment, and electronics. We can and we must establish a grip on equipment and, on the basis of this, make a leap forward, said M.S. Gorbachev during a visit to the Leningrad Kirovskiy Zavod Association.

With the aim of speeding up scientific-technological progress the CPSU Central Committee, the USSR Council of Ministers, and the All-Union Central Trade Union Council have adopted a resolution on perfecting the remuneration of scientific workers, designers, and technologists. It is aimed at increasing the material and moral interest of these categories of workers in reducing the time spent in designing and introducing new equipment and technology, and in increasing work efficiency and the quality of work done.

Now the main criterion of economic development is achieving high end results with the best possible use of available resources. The command of the day is that our country reach the most advanced frontiers of labor productivity, production quality, and production efficiency as a whole. And in a short space of time, a brief historical period. The party poses the issue precisely thus while assigning all working people the goal of successfully fulfilling this task.

Naturally, ensuring further rapid, qualitative growth in the economy requires, in its turn, a serious improvement in and restructuring of the system of running the economic mechanism as a whole in accordance with contemporary tasks and conditions. Now, it was noted at the plenum, the concept of this restructuring process has become clearer. Petty regulation and excessive creation of paperwork must end. While further developing the centralized principle in the fulfillment of strategic tasks, we must more boldly advance along the path of broadening the rights of enterprises and increasing their economic

independence, introduce the economic accountability system, and on the basis increase the responsibility and interest of the labor collectives in the end results of their work. The point has been reached where the transition must be made from large-scale experiment in this sphere to the formation of an integral system of economic operations and management and, for this purpose, we must begin the practical reorganization of the work of the upper echelons of economic management, primarily setting them the goal of resolving long-term socioeconomic and scientific-technological tasks.

In the new conditions life makes higher demands on the heart of management--planning, which is expected to become an active lever in production intensification and the implementation of progressive economic decisions, and to ensure the balanced, dynamic growth of the economy. And to do this in such a way as to more broadly apply economic norms giving scope to initiative and enterprise, perfect the organizational structures of management, and bring the principles of the economic accountability system to every primary work cell and every work place.

The intensified introduction of the economic accountability system does not mean, of course, that increasing the rates of development of the national economy and its efficiency is dependent on the development of commodity-monetary relations alone. The plan principle in our economy remains unshakeable. While strengthening centralized planning in the main areas, the party proposes to further broaden the rights of enterprises, introduce a true economic accountability system, and on this basis increase the responsibility and interest in the end results of work of both the collective as a whole and each worker individually.

Another important sphere of the national economy requiring changes in its organizational structures and perfection of its management is the agroindustrial complex. As was determined at the May (1982) CPSU Central Committee plenum, the agroindustrial complex must be planned, financed, and managed as a single whole. So far this has not been done and there have been considerable outlays as a result. Work begun in this direction, it was emphasized at a meeting held on 8 April 1985 in the CPSU Central Committee with leaders of industrial associations and enterprises, kolkhozes and sovkhozes, and production brigades, and with specialists and scientists, must be brought to its logical conclusion.

The necessity has been noted to still further increase the responsibility of republican and local organs in the management of economic and sociocultural construction and in the satisfaction of the working people's needs and requirements. For this is it necessary to continue to broaden the rights of local organs and increase their initiative and interest in developing production, utilizing resources, and organizing all spheres that service the population.

The CPSU regards the main purpose of accelerating the country's socioeconomic development as being to improve the Soviet people's well-being steadily, step by step and to create favorable conditions for the harmonious development of the individual. The fulfillment of this task is inseparable from consistently pursuing a course to strengthen social justice in the distribution of material and spiritual wealth, and from increasing the influence of social factors on

the development of the economy and the improving of its efficiency. The task is to work out concrete, effective measures to cleanse the distributive mechanism of levelling the unearned income--in short, of everything that contradicts the economic norms and moral ideals of Soviet society. An urgent requirement of the time is to ensure the direct dependence of the material situation of every worker and every collective on the results of their work. The party, it was emphasized at the plenum, will also henceforward wage the most determined struggle against all negative phenomena alien to the socialist way of life and our communist morals.

A great deal of attention at the plenum was devoted to other topical problems of the life of our society and state, in particular such as the course of implementing the Food Program, the fuller satisfaction of popular demand for industrial commodities and services, improvement in the quality of these commodities and services, and the perfection of the work of the organs of public health care and education. We must be as attentive as possible to everything that concerns the individual, his work and his material well-being and leisure, it was emphasized at the plenum. For the party this is the key issue of its policies.

II

The problems of our society's socioeconomic development are examined by the party and the Soviet state in their indissoluble connection with the general state of affairs in the world and with our country's foreign policy tasks. So it was at the April plenum.

Communists and all Soviet working people are aware of the simple and most important fact that today, as in the past, the stability of our country's international positions and, in many ways, the positions of socialism as a whole are determined by the course of communist construction in the USSR, the results of the Soviet people's work, and the timely, efficient fulfillment of tasks connected with the socioeconomic development of our state.

"The historical destiny of the country and the positions of socialism in the contemporary world," it was emphasized in the report by the CPSU Central Committee general secretary at the plenum, "in many ways depend on how we conduct matters in the future." Hence the great responsibility which rests with the party, its Central Committee, and all party organizations in the present, exceptionally important period of history. And Soviet communists are filled with determination to do everything so as to rise to this responsibility and be up to the great tasks dictated by the times. And these tasks are really serious and in many ways new.

The report at the April Central Committee plenum and the formal meeting in the Kremlin dedicated to the 40th anniversary of the soviet people's victory in the Great Patriotic War, and also a number of other speeches by Soviet leaders contain a detailed analysis of the present state of affairs in the world and formulate a positive, constructive program of foreign policy activity for the CPSU and the Soviet state in both current conditions and for the long-term. This program reflects the continuity of the strategic course worked out by the 26th Party Congress and subsequent Central Committee plenums. The communist

party and the Soviet government regard the main purpose of their foreign policy activity, it was emphasized at the April plenum, as being to prevent a repetition of a war such as the one once unleashed by German fascism. And, what is more, to prevent a nuclear catastrophe.

The Soviet Union will firmly follow the Leninist course of peaceful coexistence--a course determined once and for all by our social system, morals and world outlook. The USSR works for equal, correct, civilized interstate relations based on genuine respect for the norms of international law. However, it must be totally clear that building international relations on such foundations requires effort from both sides. International relations can only be brought into the channel of normal cooperation between states with different systems if imperialism renounces its attempts to resolve the historical dispute between socialism and capitalism by military means.

The first requirement of the party and the state is to guard and strengthen in every possible way the fraternal friendship with our closest comrades-in-arms and allies--the states belonging to the great socialist community. The Soviet Union has always done and will continue to do everything possible to further expand cooperation with socialist countries, perfect and enrich all forms of fraternal ties and cooperation with them, and enhance the role and influence of socialism in world affairs. Concern to organically combine the national and international interests of all states belonging to the community is becoming an increasingly important task in this sphere. The community now possesses powerful economic and defense potential, invaluable experience, and a well-oiled mechanism of coordinating its policies in the most diverse spheres.

At present the fraternal countries are engaged in putting into practice a whole complex of decisions adopted by the top-level Economic Conference on CEMA member-countries held in June 1984 in Moscow. They proceed both from the tasks of the socioeconomic development of each state individually and from the general needs of the community as a whole, as well as from the particular features of the current international situation.

For a number of decades the countries of the socialist community have acted as a united front in international affairs and have consistently and effectively defended their policy of peace and disarmament, and also the principles of peaceful coexistence. A particular role is played by the Warsaw Pact Organization. While declaring their loyalty to the policy of peaceful coexistence the countries of the socialist community simultaneously state totally clearly and frankly that until the threat to peace and security is removed--a threat emanating from imperialist reaction, and primarily from the United States and the NATO bloc--they will continue to do everything necessary to protect the peaceful lives, creative work, and brilliant future of their peoples against any encroachments.

Belief in the fact that as long as the NATO bloc exists, the Warsaw Pact Organization will have to further play an important role in defending the positions of socialism in Europe and throughout the world and serve as a reliable instrument in the prevention of a nuclear war once again demonstrated by the fraternal states by the very fact of their extending the term of effect

of the Warsaw Pact, and also during the 30th anniversary of the alliance, which was widely marked in the socialist countries.

The April plenum also confirmed our country's readiness to develop cooperation with other socialist countries, including the PRC. This desire has been expressed by the Soviet side on more than one occasion and is dictated by its sincere concern to steadily develop the position of socialism in the contemporary world.

The USSR has supported and continues to support the struggle of peoples on all continents for complete and final liberation from colonial oppression. With full justification the Soviet people consider the states of Asia, Africa and Latin America following a path of strengthening their independence and social renewal to be their friends and partners in the struggle for lasting peace and for better, healthy relations between peoples. Actively supported by socialist countries, young national states play an increasingly appreciable role in world politics and struggle for a new, more just world economic system. The Nonaligned Movement has become an important factor in contemporary international life and world politics. It was stated from the rostrum of the April plenum that the CPSU and the Soviet state invariably support the right of all peoples to themselves determine their socioeconomic present in accordance with their own choice and to build their future without any interference from outside. Any attempts to deny the peoples fulfillment of this right are hopeless. Such attempts, as historical experience attests, can only complicate the international situation still further, although they are ultimately doomed to failure.

An invariable line of the Soviet Union's foreign policy is its constant readiness to develop normal, equal relations with capitalist countries and to strive so that existing problems and conflict situations are resolved only by political means. Our country also works to develop fruitful, comprehensive economic and scientific-technological cooperation with countries in the West, which would be founded on the principles of mutual benefit and would exclude any discrimination. Despite the international tension, the USSR is prepared to further expand and intensify trade relations and to develop new forms of economic relations. As it was emphasized at the plenum, we are in favor of extensive, multifaceted, mutually advantageous cooperation with the West European states, Japan, and other capitalist countries.

The Soviet side has also repeatedly declared its readiness to improve relations with the United States--to mutual advantage, of course, and without attempts to encroach on one another's legitimate rights and interests. Objective, realistic analysis convinces us that there is no fatal inevitability of confrontation between the two countries. On the contrary, there are serious, urgent tasks which can only be resolved through extensive international, and primarily Soviet-American cooperation. And here is the task of tasks--preventing a nuclear war and preserving life and civilization on earth. It is appropriate in this connection to recall the positive experience of Soviet-American cooperation that has been accumulated. There is also negative experience. Nevertheless one can positively affirm that the most sensible thing to do in mutual relations between the two powers is to seek ways leading to an improvement, rather than a deterioration in these relations and to build bridges of cooperation. But build them from both sides.

In recent years the United States has suffered a distinctive attack of imperial megalomania. It has noticeably increased its subversive activities and strives to more closely coordinate these activities with its partners in the NATO bloc. This kind of activeness is spreading to all spheres--political, economic, ideological, and military. The fraternal parties of the state belonging to the socialist community have stressed more than once in joint documents that imperialism is attempting to implement social revanche across the broadest possible front--in relation to socialist countries, liberated states, national liberation movements, and against the working people in the capitalist world. Events in the first half of the eighties and Washington's concrete actions in the world arena confirm the truth and timeliness of this appraisal.

The aggressiveness of imperialism, which is caused by its desire to return to former times and regain its former positions, is today apparent in its political, military, economic, and other actions. It is well-known that precisely the United States is the pioneer of the arms race and intends to spread it to more and more new spheres--including in such a dangerous direction as the militarization of outer space. It is precisely in this sphere that Washington now primarily strives to break the military-strategic parity in its favor and gain military superiority over the Soviet Union. However illusory such hopes may be, the exceptional danger of the plans and practical steps connected with this leaves no room for doubt. "The American 'Star Wars' plan represents a great danger: if the United States takes practical steps in the militarization of outer space then the risk of a military confrontation will increase." These words belong to none other than the prominent U.S. political figure and former Secretary of Defense, R. McNamara, speaking on 15 May 1985 at a press conference in Helsinki.

Washington is increasing its military expenditure--both direct and indirect--at a high rate, and at the same time it is sabotaging any efforts and initiatives aimed in the final analysis at real limitation of the scale of military preparations, at curbing the arms race, and at disarmament. The hundreds of American military bases scattered over the planet also destabilize the situation in the world, acquiring a particularly ominous significance in the light of Washington's present military-political doctrines and its military-organizational projects, plans, and concrete measures ("Sentkom", space command, and so on). A particularly ominous role in this complex is played by the policy of state terrorism, with which the American Administration has armed itself. Its most provocative manifestations are the bandit-like attack on Grenada, the most flagrant provocations and the undeclared war against Nicaragua, the brigandage in Lebanon, the support of bandit-like attacks on Afghanistan, Angola, and Kampuchea, the terror of the Israeli extremists on the Arab lands which they are occupying, the unconcealed threats directed at Cuba, Vietnam, Syria, Libya, and other actions.

Under cover of its military preparations and its policy of state terrorism, the United States is trying to impose its claims to some kind of its own exclusivity and its messianic ambitions on the world community. With an amazing lack of ceremony, Washington determines its "zones of vitally important interests" and shamelessly assumes the "right" to "encourage" or "punish" at its own discretion sovereign states for this or that behavior. The fact that the United States' ignores its own international obligations

has become common practice. Such actions have analogies in the not-too-distant past which are all too familiar. And it is evidently far from accidental that the White House's foreign policy meets with the greatest support from West German revanchists. It is also no accident that the American President "celebrated" the 40th anniversary of the rout of rascism with a visit to a cemetary where SS cutthroats are buried. This was an unheard-of insult to the memory of mankind and to the memory of the tens of millions who perished in the struggle against fascism. But do not the calls for a revision of the Allies' agreements in Yalta and Potsdam which are heard from time to time in Washington, and which amount to non-acceptance of the territorial and political realities which formed in Europe as a result of the rout of Hitler's Germany and of postwar development, represent the same outrage?

The hegemonistic and expansionist aspirations of U.S. ruling circles are also making themselves increasingly felt in the economic sphere, where they markedly infringe upon the interests of even their immediate allies and place dozens of developing countries in a most difficult position. The manipulation of discount rates and the predatory actions of transnational corporations, political limitations in trade, and various kinds of economic and other boycotts and sanctions create an atmosphere of tension and distrust in international economic relations, disorganize world trade, and undermine its legal foundations. The exploitation of liberated countries is being intensified to an even greater extent and the processes of their economic decolonization are being blocked. The United States uses the financial and material resources of other countries to finance its own unprecedented military programs.

Washington's policy is thus throwing down a challenge in all areas to the whole of mankind. Precisely this imperial policy is the main source of tension in the world and a constant negative factor in international relations. The complexity of the international situation and the acuteness of the tension, the April CPSU Central Committee plenum stressed, obliges the party to continue to ascribe paramount importance to questions of foreign policy.

III

The April CPSU Central Committee plenum took place on the threshold of a great event--the 40th anriversary of victory in the Great Patriotic War. The celebration of this anniversary demonstrated the very deep respect felt by the whole of mankind for the unexampled feat of the Soviet people. The victory own is not only our history, but also our present.

On the occasion of the 40th anniversary of the victory, the CPSU Central Committee, the USSR Supreme Soviet Presidium and the USSR Council of Ministers delivered the address "To the peoples, Parliaments and Governments of All Countries," calling upon them to struggle together with determination against aggression before the flames of war blazed up and to do everything possible to prevent an arms race in outer space and stop the arms race on Earth, and to limit, reduce and ultimately completely eliminate nuclear weapons. The address confirms the initiatives earlier put forward by the Soviet Union and also the obligations it has taken upon itself unilaterally. The attention of the world public is once again drawn to the proposal on the development and joint recognition of norms of mutual relations between nuclear powers, to the

obligation not to be the first to use nuclear weapons, and to the proposal to conclude within the framework of the Stockholm Conference a treaty on the mutual nonuse of military force and the maintenance of peaceful relations between the Warsaw Pact member-states and NATO. The Soviet Union, it is stated in the address, is prepared to consider any initiative and any proposal in favor of peace.

As was emphasized at the April plenum, the party proceeds from the fact that interstate documents of the period of detente, including the Helsinki Final Act, have not lost their significance in the contemporary situation. On the contrary, it is precisely today that they serve as an example of how international relations can and must be built if one is really guided by the principles of equality and equal security, and also by existing realities, and if one does not seek any unilateral advantages and benefits, but strives to reach mutually acceptable decisions and agreements.

In connection with the 10th anniversary of the Conference on Security and Cooperation in Europe it would be useful to express in Helsinki in the name of the states which have signed the Final Act the wish to overcome dangerous tension and to develop world cooperation and constructive principles in international life. There is no doubt that such a demonstration of political goodwill would have a special ring to it today. In the situation which has taken shape in the world through the fault of aggressive imperialist forces the experience of detente, when good political, legal, and moral-psychological foundations were laid for cooperation between states with different systems, under the new historical conditions acquires the significance of both an example and an appeal for joint efforts in favor of peace, including cooperation in such delicate issues as the sides' security.

It is the strong belief of the Soviet Union that the process of detente can and must be revived. However, such a revival would not simply signify a return to what was in the seventies. Detente, it was emphasized in the report at the formal meeting in Moscow on 8 May, is not the final goal of policy, but a necessary, although merely transitional stage from a world crammed with weapons to a reliable and comprehensive international security system.

The Soviet side is ready to follow this path and urges the most diverse social and political forces to sincerely cooperate in the name of peace. At the same time it states clearly and precisely: We have firmly mastered once and for all what the past has taught us. Aware of the scale of the threat of war and our responsibility for the fate of peace, we--together with fraternal countries--will not permit the military-strategic balance between the USSR and the United States, and between the Warsaw Pact Organization and NATO to be broken. In the complex international situation which has been created by the actions of imperialism, the defense capabilities of our motherland will continue to be strictly maintained at such a level as to discourage potential aggressors from encroaching on the security of the USSR and its allies.

In its daily activity the CPSU has invariably proceeded and continues to proceed from the Leninist idea that the only correct policy is a principled policy. It is on these foundations that party work is based, as well as the entire life of the country in the process of its extensive preparation for the 27th

Congress. The present time is a time of intensive creative work and active search for what is new in all spheres, a time of conscientious work for the good of society and the triumph of communism. The Soviet people fervently approve and support the domestic and foreign policy of the communist party. They support this policy by their work, their social interest and activeness, and their practical contribution to preparation for the 27th Party Congress.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". Mirovaya ekonomika i mezhdunarodnyee otnosheniya". 1985

CSO: 1816/16

YAKOVLEV ON CONTINUING NEED FOR WARSAW PACT

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 14-25

[Article by A. Yakovlev: "International Significance of the Warsaw Pact"]

[Text] The great Victory holiday contained, as it were, the grief of irreplaceable losses and the majestic nature of the exploit of the party and the people and the heroism of those who fought at the front and beyond the front line and the selflessness of the workers of the rear, who forged the weapons and sowed the grain. Even in the grimmest and most critical days of the war, when the enemy was at the walls of Moscow, Leningrad and Stalingrad and at the foothills of the Caucasus, Soviet people had faith in their just cause and in their victory and did everything to ensure that it came as quickly as possible.

The Victory holiday recalled with particular poignancy many lessons of the war: the tragedy of closing one's eyes to an aggressor, a need to display scrupulous concern for the country's defense capability and the lofty duty to preserve peace, preserve the Earth and to preserve mankind. As M.S. Gorbachev said, "defending man's sacred right to life and securing lasting peace is the duty of the living to the millions who fell for freedom and social progress, our common duty to present and future generations."

The Victory holiday is an international holiday; all fair-minded people in the world fought against facsism. This is why the U.S. President's attempts to whitewash the crimes of the fascist bandits who sowed death in the world are so sacrilegious. There is nothing illogical here. The worship in Bitburg, however shocking, was merely a continuation of the policy of bellicose U.S. militarism, a policy which has become a permanent negative factor of international relations, and continuation of the policy of a "crusade" against socialism. It was, finally, a continuation of the policy aimed at achieving world domination kneaded in the fantastic messianic idea of the United States' particular destiny in the world.

The role performed by the Warsaw Pact in the defense of peace and revolutionary gains and in securing the progress of socialism appears even more distinctly in this situation. Created 30 years ago, the Warsaw Pact on friendship, cooperation and mutual assistance legalized an alliance which is unparalleled in world history both in terms of its class essence and thrust of its international policy.

Its participants were states where power is in the hands of the people, states in which for the first time in history forces interested in wars and engendering an arms race and an atmosphere of war hysteria do not and cannot exist.

The main purpose of the Warsaw Pact and its military-political organization is determined both by the nature of the socialist society and the character of the international relations of the era of transition from capitalism to socialism. In most compressed form it is defense of the creative labor of the peoples of the community and the utmost consolidation of general peace and international security. Socialist foreign policy and the defensive military doctrine corresponding thereto are blended together in the activity of the alliance of fraternal countries.

The Warsaw Pact continues the traditions of the brotherhood in arms which took shape at that memorable time when the peoples of the enslaved countries of East and Central Europe fought shoulder to shoulder with the Red Army for their freedom and independence. This was a sacred struggle against the brown plague, for the establishment of a lasting and just peace in the world, to ensure that the flame of world military conflagration blaze up nevermore and to ensure that the peoples of our states and other countries and regions have an opportunity to live and work in tranquillity.

The 30-year activity of the Warsaw Pact has shown convincingly that its existence and development are vitally necessary for all its participants. The Warsaw Pact remains a reliable shield of security for the entire continent also. And not only for it: the treaty is honorably justifying its purpose as an important instrument of ensuring peace throughout the world.

The realistic nature of such an evaluation is obvious.

That the U.S. leadership has effected an abrupt turnabout in international policy in the direction of a spurring of military-political tension has proven to be a fact of recent years. The most important components of detente have been subject to erosion. Confrontation has gained the ascendancy in the overall set of mutual relations between states of the two systems. Soviet-American relations are at an extremely low level. The American side has disorganized the process of negotiations for limiting the arms race and for disarmament. The United States and NATO as a whole are jacking up the scale and pace of the arms race and creating increasingly new doctrines of war. Increasingly new countries and parts of the world are becoming targets of the aggression of American imperialism. The Reagan administration is resorting to the open use of military force and a virtual refusal to recognize any international rule of law other than fist law and the right of might. The danger of a nuclear conflict is increasing many times over under the influence of Washington's plans for the militarization of space.

It is precisely now, as the century draws to a close, that mankind is confronted in all its reality with the problem of preserving civilization. It is this which is forcing the socialist states to adopt effective measures to further strengthen the Warsaw Pact, provide for the alliance's dependable security and maintain its defense capability at the proper level. The world currently has no other forces capable with every hope of success of defending mankind against a slide into the nuclear abyss.

I

Turning to the sources of the creation of the fraternal states' combat alliance, no objective observer can fail to acknowledge the forced nature of this measure in the specific atmosphere of that time.

The North Atlantic bloc had been operating for 6 years by the time the treaty was signed--May 1955. From the very outset the founders of the bloc did not conceal its anti-Soviet, antisocialist thrust. On the contrary, they emphasized this thrust in every possible way. The cold war, which was promoted by American imperialism, had become a reality by this time. It was conceived as an international multilevel operation aimed at lowering the authority of socialism and all forces of freedom and democracy, expanding American influence in the world, restoring what had been lost and consolidating West Europe in the sphere of the United States' imperial interests. Nor was the task of bringing the USSR's economic development to a standstill and dragging it into an arms race concealed. The preparations for nuclear war against the Soviet Union developed apace.

A system of imperialist military alliances, the remilitarization of the FRG and its incorporation in NATO in accordance with the 1954 Paris accords became a reality. There was no longer any doubt that the Western powers had conclusively broken with the goals of the anti-Hitler coalition and the concerted principles of postwar cooperation. Reagan's recent homage to SS murderers speaks not only of the personal philosophy of this high-ranking American, it is clear evidence of the long-standing strategy of American imperialism aimed at the unification of all reactionary forces around the "crusade" against communism policy.

In analyzing today the circumstances which brought about the need for the creation of the alliance of fraternal states it is essential to emphasize several points.

First of all, it was not the Soviet Union and not the other socialist countries which were the standard-bearers of the confrontation and measures of a military-political nature which led to the exacerbation of the situation in the mid-1950's. The initiator of such steps--and this has now been confirmed in documentary form--was invariably the United States.

Second, the creation of the Warsaw Pact was an opportune and adequate response to imperialism's military preparations in Europe. A response which was precisely adequate. The socialist countries did not go a single step further than was undoubtedly necessary to ensure reliable security. Throughout the 30 years the treaty's actions have not once under any circumstances set the goal of achieving military superiority over the NATO bloc. Nor is there such a task today, when the community's material possibilities have grown immeasurably.

Third, considering that the United States and its allies were doing everything to impart a character of permanent tension to East-West relations and bring matters to the point of a test of military forces with the socialist world, the Warsaw Pact states endeavored to step up primarily the economic and political

aspects of mutual relations with Western countries and looked for possibilities of asserting the norms and principles of the peaceful coexistence of states belonging to different social systems, attempting thereby to narrow American imperialism's room for maneuver and make its operations more difficult.

In all this was the fundamental, principled distinction of the Warsaw Pact, as an alliance of the new type, an alliance of fraternal states, from the North Atlantic pact, which had been created for the achievement of the traditional goals of imperialist policy by traditional militarist means. From the very outset the Warsaw Pact counterposed to NATO's "from a position of strength" policy a struggle for the establishment of the practice of peaceful, equal coexistence and the exclusion of wars from the life of Europe and the life of mankind.

The fundamental difference between the two organizations was manifested in the texts of their founding documents--the Warsaw Pact and the North Atlantic pact. Article 1 of the Warsaw Pact formulates the clear-cut undertaking to refrain from the threat and the use of force and to resolve international disputes by peaceful means "such as not to jeopardize international peace and security." Article 2 of the pact expresses a readiness "to strive for the adoption in concert with other states which wish to cooperate in this of effective measures for a general reduction in armaments and the banning of atomic, hydrogen and other types of weapon of mass destruction."

The North Atlantic pact does not contain such provisions. A NATO principle was and remains the continuous spurring of an arms race and a gamble on military superiority. So it has always been, so it is now also. World public opinion knows full well that it is the United States which has always been the instigator of all new types of weapons.

As distinct from the North Atlantic pact, the Warsaw Pact is, entirely in accordance with the UN Charter, of a purely regional nature. It corresponds fully to article 51 of the UN Charter, in which the right to individual and collective self-defense is recognized for states which are the subject of aggression.

In the Warsaw Pact all relations are based on the complete equality and comradely mutual assistance of the sovereign states. Its participants are united by the community of their social interests and unity of views on the cardinal issues of contemporary world development. A reliable and effective mechanism has been created and adjusted in the past decades with the aid of which the subscribers to the treaty forumulate and implement a concerted line in international affairs.

Joint armed forces and a joint command of these forces were created in accordance with the treaty. The Defense Ministers Committee (March 1969), Foreign Ministers Committee and Joint Secretariat (November 1976) of the Warsaw Pact countries have been formed. A particularly important role in this structure belongs to the Political Consultative Committee, in which the top party and state leaders of the fraternal countries participate. On the basis of a

comradely exchange of opinions this leading body makes a principled evaluation of the international situation and its individual aspects and trends and determines the joint approach to key problems of world politics.

The defensive nature of the treaty is also expressed in the fact that it is open to be joined by other states which express a readiness to contribute to the goals of ensuring peace and security. In other words, the treaty is not an exclusive grouping counterposing itself and its interests in one way or another to the regional or international community. It is an alliance of free peoples, for which there is no higher goal than the defense of peace against war and against mankind's slide into the nuclear abyss.

The Warsaw Pact and NATO are in striking constrast from the viewpoint of their practical activity--both in style and content.

All the actions of the North Atlantic bloc are imbued with a spirit of militarism. The cornerstone is a build-up of the aggregate military power of imperialism under American leadership and the elaboration of military-strategic concepts of an undisguisedly aggressive hue. Foreign policy decisions are made, as a rule, at Washington's bidding. Their purpose is merely to conceal the military preparations being conducted on the initiative and in the interests primarily of the United States.

Highly indicative in this plane was the decision adopted at the May 1978 NATO Council session on an annual minimum 3-percent increase in real terms for 15 years in military budgets. What was being told the socialist states and the whole world by this decision, what was being told only 3 years, what is more, after the signing of the Helsinki Final Act and on the threshold of the signing of the SALT II Treaty? That regardless of the detente process, regardless of anything, the NATO bloc still intended to continue to move along the path of militarization. And move not for a year, not for 2 years but for 15 years running.

It became increasingly obvious that the lowering of the level of tension had intimidated the U.S. ruling elite, created a threat to the profits of the military-industrial complex and weakened the effect and influence of the ideology of militarism, without which the monopoly bourgeoisie cannot exist. The level of independence of the West European countries had risen, which also was not to the liking of the U.S. rulers. These are the main reasons for the United States' change toward a policy of confrontation.

It is also impossible today to ignore the importunate arguments about the desirability of expanding NATO's sphere of "geographical responsibility," that is, essentially converting the bloc into an all-purpose mechanism of imperialist interference and aggression in all parts of the world. The heart of the matter is that whereas hitherto the bloc has served the interests of U.S. ruling forces on the European continent, for keeping West Europeans within the orbit of American domination included, attempts are now being made to incorporate NATO in the United States' imperial system as a tool of global aggression.

The potential danger of such a development goes without saying. As does, equally, the extent to which all this is contrary to the truly vital interests of the peoples of West Europe. Today, as three decades ago, the NATO bloc can offer Europe and the world nothing other than new military plans, new militarist preparations and new twists to the arms race spiral. Cannot and does not want to for it serves not regional but transatlantic interests.

The foreign policy line of the Warsaw Pact is constructed fundamentally differently. Throughout its history this treaty has been and remains the generator of initiatives in support of peace, a strengthening of international security and the prevention of nuclear catastrophe. The ideas and proposals which it has presented in different years have made a contribution of paramount importance to the cause of an improvement in the situation on the European continent, particularly in the 1970's. A contribution whose constructive consequences are perceived even in today's complex and tense international atmosphere.

II

The bloc confrontation in Europe, as in the world as a whole, was engendered by the cold war and has become a most important spring of the arms race. It was imposed on the socialist countries by imperialism. Imposed as a result of purposeful "efforts" of many years' standing of U.S. policy. And not only imposed but also directed against the USSR and the other socialist countries.

For this reason it is perfectly natural that among the first coordinated initiatives of the Warsaw Pact states were proposals addressed to the Western countries for an understanding to be reached on a radical solution of the problem of overcoming the bloc confrontation. The simplest and most comprehensible path was chosen. The socialist countries proposed the dissolution of both NATO and the Warsaw Pact, and as a first step, liquidation of their military organizations. This proposal holds good today also. However, the United States sees it as a threat to its multitier interests in Europe.

Endeavoring to build relations with the Western states on the basis of the principles of peaceful coexistence, the participants in the Warsaw Pact proposed to them the adoption of a joint measures to ensure that contradictions not grow into a military conflict. They put forward to this end back at the Moscow meeting of the Political Consultative Committee in 1958 a draft pact on nonaggression between countries of the Warsaw Pact and the North Atlantic alliance. But nor did this proposal find a response in NATO capitals. The NATO countries also rejected such Warsaw Pact initiatives as the proposals that agreement be reached on the nonexpansion of the existing and renunciation of the creation of new exclusive military-political groupings in Europe, on a mutual reduction in the military activity of NATO and the Warsaw Pact and on a limitation of the scale of military exercises and the extension of confidence-building measures to the Mediterranean.

Nor did the United States and also its wards accept the proposal concerning the conclusion by the participants in the All-European Conference of a treaty on no first use against one another of both nuclear and conventional arms. Clearly, such a treaty would have strengthened the political and legal foundation of observance in Europe of the principle of the nonuse of the threat of force and have created a barrier to the unleashing of conflicts on the European continent. But how did the United States respond? With deployment of its nuclear missiles in West Europe.

The Warsaw Pact states have proposed various versions of the deliverance of Europe from nuclear weapons--both within the framework of a corresponding Soviet-American accord and in the form of the creation of nuclear-free zones on the continent. Impressive initiatives of the Warsaw Pact countries are the proposals on freeing Europe of chemical weapons and negotiations concerning a nonincrease in military spending and a subsequent reduction therein. A sincere desire to come to an agreement on the entire range of issues being discussed has been displayed by the Warsaw Pact countries at the Vienna talks, which for 12 years now have been spinning their wheels owing to the obstructionist position occupied by the United States.

The list of the Warsaw Pact's proposals which have been turned down by NATO is lengthy enough. The mere fact of the "no" policy proves, as a minimum, three things. First, in the establishment of detente and peaceful coexistence it was possible to have gone further and achieved more even in the years which were the best for this process; and the socialist states did everything within their power for this purpose. Second, the lack of due progress is explained by the exclusively negative position of the United States and NATO's reluctance to come to arrangement in all seriousness and on an equal basis with the socialist world on cardinal issues of international security. Third, even the positive changes which it has been possible to achieve have so intimidated the West's ruling oligarchy that it has begun to hastily and all along the line dismantle what has been achieved--in the military-political sphere and in the sphere of economic relations, as, equally, in the sphere of cultural relations, scientific exchange and human rights commitments.

It is well known that the idea of holding the Conference on Security and Cooperation in Europe, its general concept and structure and the system of principles on which all-European cooperation was erected--all this was elaborated and proposed in different years by the Warsaw Pact states. The constructiveness and breadth of the position of the socialist countries and their readiness to cooperate with all who are sincerely concerned for the fate of peace suffused the documents of the All-European Conference with positive content and ensured its success.

The signing of the Final Act was a joint success of the Warsaw Pact states and all peace-loving forces and a victory for wisdom and political realism. The socialist community countries remain true to the principles of this document. The confirmation by the conferees in Helsinki of the permanency of the postwar arrangement and borders in Europe and their adoption of other decisions aimed at strengthening security and cooperation have served and continue to serve as convincing testimony to the viability and real possibilities of practical realization of the principles of the peaceful coexistence of states with different social systems.

The improvement in the overall situation proved unacceptable to the United States. And when, on the eve and at the outset of the 1980's, the United States once again sharpened the situation, when an unhealthy, militarist trend in European and world politics once again prevailed, the Warsaw Pact countries multiplied efforts aimed at the preservation of the intelligent beginnings in world politics.

In the political declaration adopted in 1983 at the Prague meeting of the Political Consultative Committee they presented a proposal for the conclusion between the states of the Warsaw Pact and NATO of a treaty on the mutual nonuse of military force and the maintenance of relations of peace. It provided for such commitments as: no first use against one another of either nuclear or conventional arms and, consequently, no use of military force in general; no use of force against third countries; no threat to the security of international sea, air and space lines of communication crossing areas beyond any national jurisdiction; negotiating in a spirit of good will effective measures to put a stop to the arms race and for disarmament; jointly examining practical measures to avert the danger of surprise attack.

It is indicative that the Prague initiatives took into consideration in one way or another the proposals which had been expressed by that time by the Western side. The conclusion of such an agreement could have a tremendous positive impact on the political climate in the world, become a turning point in surmounting the present dangerous tension and resume the movement toward detente. But it is just such a prospect which does not suit U.S. leading circles, which on this occasion also declined to discuss the socialist countries' proposals.

The Warsaw Pact countries are perseveringly striving for implementation of the decisions of the All-European Conference in their entirety and in all the areas agreed in Helsinki. It is well known that measures of a legislative nature have been adopted in the socialist countries in the spirit of the Final Act. In the Soviet Union the principles on which the Final Act was based have been enshrined in the constitution. In Madrid, Belgrade and Stockholm and in all their day-to-day activity the Warsaw Pact countries have done and continue to do everything possible to really turn Europe into a continent of peace and cooperation.

On the other hand, it is precisely from the United States and its allies that every conceivable obstruction to the all-European process and attempts to distort the meaning and content of the adopted decisions and sabotage their fulfillment are emanating. As we have already said, NATO circles are trying to the utmost to disorganize and, if possible, completely frustrate all forms of cooperation in Europe. A most flagrant violation of the commitments assumed in Helsinki were the deployment in West Europe of the new American first-strike missiles and the adoption of the so-called "Rogers doctrine". Meeting in Bonn, the countries of the "seven" openly made a threatening gesture as if to strike at postwar territorial realities, flagrantly flouting thereby not only the accords in Helsinki but also the agreements in Tehran, Yalta and Potsdam.

It would be naive to believe that our proposals are to the liking of the U.S. leadership. On the contrary, they conflict with its interests. Were just a part of these proposals to be greeted positively in the West, the situation in Europe and throughout the world would change appreciably for the better, which would inflict a serious defeat on militarism and strengthen the forces of freedom, progress and democracy. This is why the United States is making colossal efforts to ensure that the military confrontation assume new proportions, extend to new geographical and military-technical areas, increasingly subordinate to itself other, nonmilitary spheres of the two systems' mutual relations and maintain permanent tension, which acts as a distinctive form of the smoothing over of interimperialist contradictions and a curbing of the centrifugal trend in the capitalist world.

III

Today it is essential and important to emphasize the fact that the bellicosity and expansionism of American imperialism have increased considerably in all areas. The traditional self-confidence and messianism are being supplemented by and in places growing into nervousness and hysteria, which also contains a definite danger. Attempting by all routes to impede the onslaught of time, hold down events which are slipping out of its control and take hold of a mechanism for controlling world processes, the United States has created extreme tension in the world, is elevating muscle to a principle of international relations and is stubbornly pushing the world toward the unthinkable.

In what specifically is the aggressiveness of present-day imperialism manifested? Primarily in the fact that it is in fact not only all the constructive achievements of the preceding decade which are being rejected. Also being rejected is the very approach, which is based on the principles of peaceful coexistence and which sets as its goal movement toward less and not greater tension, toward a reduction in and not the stockpiling of weapons, toward the development and not the winding down of equal cooperation and toward clearing away the obstructions of confrontation. International realities of the past four decades--whether it be a question of the socialist world, postwar borders in Europe, the legitimate rights and interests of dozens of other countries and peoples and their aspiration toward independent development and prosperity and of the social gains and individual rights in the capitalist countries--are being blindly rejected.

If this process is viewed as being strategically programmed, and, obviously, it can only be viewed thus, it is essentially not only a question of establishing Washington's domination in the world. It is a question of recarving the world in its own image and likeness on the basis, as the White House likes to put it, of "divine providence," which has entrusted the United States with special responsibility for the destiny of the world. Recarving it such as to ensure that the "new" world uncomplainingly accept imperial dominion. This is the essence of this policy, all the rest is derivative.

In the name of realization of imperial aspirations course has been set toward a recovery of the former military superiority of the United States and NATO over the USSR and the socialist community states. In the name of these same

goals concentrated military preparations--both in Europe and in the world--are being implemented, military spending and the scale and pace of the arms race are being stepped up, the United States' military presence beyond its national borders is being expanded, military-political and strategic doctrines are being developed in the direction of greater practical feasibility and the armed forces command system is being reorganized. The persistent efforts to open new channels of the arms race and to transfer this race to space represent a particular danger.

Not only the United States' foreign and military policy is a destablizing factor. The United States' foreign economic expansion is growing also. It is to an increasingly large extent ignoring the interests of other countries and the world economy as a whole. High interest rates are disorganizing the international money market and the entire system of international settlements. The mass influx of money to the United States (up to $100 billion annually) is causing the artificial increase in the dollar exchange rate and an artificial fall in the fluctuation of the exchange rates of other currencies. Many people in the world are beginning to understand increasingly clearly that the U.S. economy is being fattened up and the Reagan administration's military program is being financed hereby.

The United States is intensifying the exploitation of the developing countries, which is proceeding along the channels of granting bank loans at superhigh interest, which has already brought these states' debt to U.S. banks alone to $400 billion. Even now the developing countries' payments for American bank loans constitute approximately $40 billion a year. In 1984 the gross receipts of resources in the developing countries from foreign sources constituted $85 billion, while their debt payments constituted $92 billion. Each percentage increase in loan interest rates here automatically increases the debt burden by $2 billion.

It is the United States which is in the vanguard of the application of political restrictions in trade, noncompliance with international treaties and violations of international law. Pertaining primarily here is its practice of boycotts and sanctions against the socialist countries, which are being applied and developed increasingly, and the attempts to extend to other states the effect of American export-control laws. All this is creating in world trade an atmosphere of tension, uncertainty and mistrust.

Washington, of course, sees that the ground beneath its foundations is not as firm as before. It is being eroded by time. The diminution in the United States' world role, which has been revealed so graphically as we near the end of the 20th century, has been perceived from decade to decade. This has applied to practically all its positions--economic, military-strategic, scientific-technical, social, political-ideological and moral-ethical.

This process has developed along the main pivotal axis--in the sphere of the historical competition with the socialist system--but not only here. The United States' relations with the developing countries, with the other leading economic and political centers of capitalism and with individual capitalist countries have undergone changes. The world has changed before its very eyes.

The main thing has been the fact that the United States has been deprived of the practical possibility of counting on the military achievement of its goals with impunity. It sustained an obvious defeat in Vietnam, which had considerable consequences for the White House's global strategy, at least, within the limits of a certain historical period. No good has come of Washington's attempts to use economic levers against the socialist countries for political purposes. The United States has been unable to convert the "North--South" problem into an effective instrument of pressure on the developing countries. The exacerbation of interimperialist contradictions has lowered the level of American control not only over the economy but also the policy and military affairs of other capitalist countries. In addition, it has turned out that many states, including the United States' allies, do not believe at all that all international relations end with the United States and that it has been entrusted with the mission of dividing the world into "good" and "evil".

The world community is gradually recognizing that the United States is not omnipotent and that its claims to exclusiveness are merely the fruit of artificial mystification. Even the United States' close associates in antisocialism and "crusades" are coming to understand that the strategy based on the so-called "balance of nuclear terror" by no means excludes the element of chance, which, in turn, is making even those faithful to the American policy of tension see sense.

The objective changes of the world map have proven very painful to take for the U.S. ruling elite. Fancifully refracted in the class consciousness of the ruling clique, particularly its far-right grouping, the changes which are occurring are being served up to certain strata of the population in a distorted, deliberately dramatized and alarming form as the "decline of America". In this context and on this pretext U.S. ruling circles have stimulated to the utmost the imperialist strategy of tension in all spheres of world development, primarily in the military-strategic sphere, and in international relations, hoping that history can still be "replayed".

Unfortunately, this antihistorical, extremely desructive and dangerous line, which is opening putting its hopes in nuclear power as an instrument of foreign policy and philosophy of international conduct, relies on the as yet considerable economic and military potential of American imperialism. Despite the entirely obvious relative decline in power and prestige, the United States remains the strongest country of present-day capitalism and its metropolis. In a number of main areas of economic and scientific-technical development and in the military sphere it retains the advantage over other capitalist countries. Washington is continuing to use exclusively in its own interests the aggregate economic and military power of the imperialist countries and possesses certain levers of influence in developing countries of a capitalist orientation.

All this is complicating the struggle against the threat to civilization on the part of American militarism. But at the same time the unfolding situation is illuminating increasingly clearly the source of the threat, uniting the masses and stimulating their actions against the warmongers, bringing to their senses gradually the figures in the West who are beginning to prefer real facts to political mythology. The vilest myth of the "Soviet military threat" is still alive, but gradually losing its influence and revealing the falsity of its content.

The bellicose policy of the United States has encountered and will continue to encounter the firmness and resolve of the socialist community countries, their political authority, their constantly growing economic and defense potential and the strength of their unity and cohesion. This has been shown convincingly by, in particular, events of the past 2 years. When the Warsaw Pact states were confronted with the need to respond to the new military preparations of the United States and NATO, this response was given immediately and to the extent necessary. As a result military-strategic parity was maintained, although having risen to a new quantitative and qualitative level here.

Acting from positions of responsibility and realism, the USSR and the other Warsaw Pact states continue to strive perseveringly for a curbing of the arms race and an improvement in the international situation. For this purpose on 7 April 1985 the Soviet Union imposed a moratorium on the deployment of intermediate-range missiles and other retaliatory measures in Europe. In taking this step the Soviet Union expresses the hope that Washington and the capitals of the West European states will adopt a thoughtful and serious approach to an evaluation of this initiative. It is perfectly obvious that reciprocity here would contribute to the success of the Soviet-American negotiations in Geneva on the entire complex of nuclear and space arms and could also perform a positive role in the settlement of more complex international problems.

It has to be admitted, however, that, as before, no signs of a prudent, constructive approach to this and other urgent questions can be discerned on the part of states of the North Atlantic pact. The United States is pursuing the former policy at the same pace and in the same areas. Even individual rhetorical exercises of statesmen of the West in support of peace have been short-lived. And the content of the policy goes without saying. In addition, the imperial ambitions and military preparations of the United States in Europe and the sacrilegious refusal of Reagan, who heads the country which is the center of militarism and aggression, to make a distinction between military criminals from the SS and their victims have noticeably enlivened revanchist circles in the FRG, which is increasingly distinctly proving its worth as the United States' main instrument in Europe. All this is creating a situation in which the preservation of peace and security in Europe, and not only here, will depend on the efficiency and effectiveness of the reliable shield of socialism which is the Warsaw Pact.

The Soviet Union and the Warsaw Pact countries do not seek superiority on the Earth, in the oceans or in space. Nor are they endeavoring to compete to see who makes the nuclear fence higher and thicker, proposing, on the contrary, appreciable reductions in all weapons.

The military-strategic balance which has been achieved is a phenomenon of fundamental, permanent significance. For the first time in history imperialism has lost the possibility of breaking up socialism by military means and itself surviving undamaged here. Here is the essence of the historical leap forward and turning point beyond which the need arises for fundamentally new evaluations of the nature and prospects of the opposition of the two systems and their historical confrontation and competition.

"Recognizing the scale of the military threat and recognizing our responsibility for the fate of peace," M.S. Gorbachev emphasized in the report on 8 May 1985, "we will not permit the military-strategic balance between the USSR and the United States and the Warsaw Pact and NATO to be broken. We will continue to adhere to this policy for we have firmly assimilated once for all what we have been taught by the past." This common position of the participants in the Warsaw Pact was confirmed once again when it was extended. And if the militarist preparations of NATO, including the "star wars" preparations, continue, the Warsaw Pact states will have no choice other than to adopt the necessary retaliatory measures.

Today the socialist community countries are plainly and candidly warning the world of a real military danger more menacing than ever before. They are proposing specific and honorable ways of solving urgent international problems, primarily the problem of disarmament. They are the most steadfast and consistent force capable in practice of curbing the aggressive actions of imperialism. They call and are prepared for cooperation with all who sincerely aspire to secure a reliable, stable peace and progress on our planet.

Possibilities for easing tension--and real possibilities--remain. Moreover, these possibilities, given proper use, could grow many times over. It is a matter of the political will and the readiness of the other side to take the path of the development of cooperation and not the escalation of confrontation. The Warsaw Pact states clearly declare that they do not intend to squander the constructive experience of the preceding decade and that they are prepared to multiply this experience. This position was clearly and authoritively confirmed in M.S. Gorbachev's report devoted to the 40th anniversary of the Soviet people's victory in the Great Patriotic War.

The Warsaw Pact states have trodden a big and glorious path and accumulated experience of truly historic significance in the past decades. The strengthening in every way possible of fraternal friendship with the closest cofighters and allies--the countries of the great community--is the first commandment of the CPSU and the Soviet state. A graphic manifestation of the concern of the CPSU and all the fraternal parties for unity and the further strengthening of socialism's international positions in its struggle against the forces of aggression and war is the agreement concerning the extension of the Warsaw Pact. This agreement expresses the common understanding that the content of the historic document signed 30 years ago and its letter and spirit correspond fully to the interests of all the socialist countries. And the articles of the treaty defining the principles and purposes of the coordination of foreign policy and the nature and direction of cooperation in international affairs are pertinent today also. No less full of life and practical significance today than 30 years ago are the provisions of the treaty which speak of allied relations, close defense and political cooperation and the Warsaw Pact states' rendering of mutual assistance in the event of imperialist aggression.

As long as the NATO bloc and its militarist policy continue, the community countries will be forced to maintain their armed forces at the proper level. The CPSU's position on this question was once again confirmed with all clarity at the Central Committee March and April (1985) plenums.

The Soviet power abides firmly by Lenin's policy of peace and peaceful coexistence. It always responds to good will with good will, to mistrust with mistrust. The sole intelligent way out of the current s'tuation is an understanding on the part of the opposed forces concerning an immediate halt to the arms race--nuclear primarily--on Earth and its prevention in space. An understanding on an honest and equal basis, without attempts to "outdo" the other side and dictate one's own conditions to it.

As experience shows, mankind has the forces capable of resisting negative changes in international relations which jeopardize the fate of the Earth. The main one, which cuts across the dangerous trends, is the foreign policy of the Soviet Union and the entire community and their might. The socialist community is the purveyor and defender of the live, healthy principle in international relations oriented toward socialist ideals common to all mankind.

The Soviet Union and the fraternal socialist countries proceed from the fact that the right to live under conditions of peace and freedom is man's chief right. They will continue to strive for removal of the threat of nuclear catastrophe and do everything to preserve peace. A most important means of the achievement of these highest goals is, as throughout the past three decades, the combat alliance of Warsaw Pact states.

Such are the realities in which we live. The danger is formidable, but there is also great hope that the forces--military, political and moral-ethical--which mankind possesses today will be able to erect a powerful barrier, possibly an insurmountable barrier, in the way of the American maniacs of nuclear destruction.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

ECONOMIC PROBLEMS OF SCIENTIFIC-TECHNICAL PROGRESS IN THE CAPITALIST COUNTRIES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 26-37

[Article by A. Dynkin: "Economic Problems of Scientific-Technical Progress in the Capitalist Countries"]

[Excerpts] Marxist-Leninist analysis of the deepening of the general crisis of capitalism is logically concentrating attention on the profound contradictions ensuing from the scientific-technical revolution which has unfolded in the 20th century. The scientific-technical revolution is a consequence of a synchronization and synthesis of revolutions, technical and scientific, and a process which proceeds unevenly. The start of the 1980's coincided with an acceleration of scientific-technical development.

The scientific-technical revolution is by nature global and encompasses the socialist countries and the three centers of imperialism and is attracting the developing countries to its orbit via the system of world economy relations.

However, whereas the socialist system affords practically boundless opportunities for the plan-based use of the achievements of the scientific-technical revolution for the good of all society, under capitalism the new leap forward in the development of the production forces is inevitably coming up against outmoded production relations.

Acceleration of Scientific-Technical Progress Under Reproduction Conditions

A driving factor of scientific-technical progress, primarily in the United States, has been the promotion of a new twist of the arms race spiral. In 1984-1985 the annual increase in appropriations for military research programs constituted almost 27 percent, which is 1.5 times higher than even the unprecedented growth rate of the entire budget of the U.S. Defense Department. Militarization has become an inalienable feature of the scientific-technical development of the leading capitalist countries. The capitalist states' aggressive foreign policy is playing a most important part in the orientation of scientific research toward the requirements of military production. Both the growing science-intensiveness of modern arms and their rapid obsolescence serve as additional stimuli of the militarization of the science sphere.

Following a period of emphasis on the negative consequences of scientific-technical development, a change is again under way in the West in the direction of a stimulation of scientific-technical progress. This is observed not only in the sphere of economic policy but also in the social consciousness.* True, more modest hopes are being placed in science now--resisting the exacerbation of the contradictions of state-monopoly capitalism.

The process of practical realization of the achievements of science has accelerated sharply in the principal capitalist countries in the 1980's. Japan has burst ahead in certain areas of modern technology, but lags behind the United States in terms of the breadth and scale of suffusion of its economy with progressive innovations as a whole. West Europe is currently experiencing a period of serious economic difficulties connected, in particular, with the lag behind the United States in a number of key spheres of the latest technology. The West European countries' economic problems are also being intensified by the drain of capital across the Atlantic, which is enabling the United States to finance not only militarist preparations but also the structural reorganization of the economy. However, the asynchronous nature of the unfolding of the new stage of scientific-technical progress in the capitalist countries is not changing its most important directions and economic content.

As a whole the mass nature of innovations makes it possible to speak of a new wave of scientific-technical progress. A change in trends, not abrupt yet, it is true, but entirely recordable at official statistics level, may serve as grounds for such an assertion.

In terms of the volume of manufacture of products and the number of those employed in 1983 a number of the latest sectors has caught up with or approached analogous indicators of the traditional sectors which have largely determined the nature of the postwar stage of scientific-technical progress.

The rate of replacement of industrial products has increased. For example, in the United States, according to data of the economic department of the publishers McGraw-Hill, it is expected in 1986 to be at the level of 32 percent, that is, one-third of the manufactured product will be without parallels on the production list of 1982. As of 1982 the proportion of resources spent on the creation of new commodities in the structure of corporations' appropriations for R&D has exceeded (for the first time since 1974) investments in modernization of existing products.

Signs of corporations' acclerated self-financing of R&D projects have emerged. The average annual rate of increase in expenditure on R&D from the resources of American firms is expected in 1983-1985 to be at a level of 6.9 percent compared with 2.9 percent in 1975-1980 (in comparable prices). For the period up to 1995 the annual rate of growth of national spending on R&D is contemplated at the level of 10.6 percent (5-6 percent with regard for inflation), which is almost double the product growth estimates.

---

* The change from regarding scientific-technical progress as an external parameter in respect of the economy having only an indirect impact on its development to its incorporation in economic models as an intrinsic factor together with labor and capital corresponded to this in the sphere of economic theory.

As a result the dynamics of certain macroeconomic indicators are changing also: in 1983-1984 the labor productivity growth rate in the United States constituted 3.5 percent (0.8 percent in 1973-1979 and 1.1 percent in 1979-1982), and in 1984 the annual increase in investments for production constituted 20 percent. Of course, it should not be forgotten that these processes are occurring in a phase of upturn of the economic cycle and are partially explained by this. However, in a number of parameters the present period of recovery of the American economy is to a large extent unusual: for a typical phase of upturn in postwar cyclical dynamics the growth rate of the output of manufacturing industry has constituted 16.3 percent, of the present phase 22.1 percent, and the average indicators of the growth of capitalist investments in equipment 14.6 percent and 33.8 percent respectively.

Concentrating efforts on insignificant modifications of the manufactured product, firms did not unwrap long-term scientific research programs in the 1970's. Currently business is faced with a dilemma: either adaptation to the process of long-term structural reorganization by way of the assimilation of scientific-technical process stock or inevitable bankruptcy. It is unlikely that any reason other than a recognition of the critical nature of the frontier which the development of the production forces has approached can explain the fact that even under the conditions of economic instability firms have begun concentrated investments of their own resources in scientific research.

The new period of flowering of so-called risk (venture) enterprise serves as a further sign of the radical nature of the changes which are occurring. Having become in the preceding decade a well-tuned mechanism of the assimilation of innovations of a fundamental nature, small science-intensive firms are displaying extraordinary assertiveness in such spheres as the production of IC's, software and fiber optics and assimilation of the achievements of genetic engineering. In the period 1970-1984 in the United States the number of small firms producing semiconductors grew 100-fold: from 35 to 3,500. There are numerous pieces of evidence of the very widespread extension of credit to such firms by the major corporations, banks and pension funds. The stock of certain venture firms is being quoted very highly and is selling successfully.* Whereas in the period 1973-1977 the stock of 43 new firms specializing in various new technology spheres appeared on the securities market, in 1980 the figure was 60 and in 1981 170 new companies.** As a whole the volume of investments in such firms in the United States increased from $3 billion in 1977 to $12.1 billion in 1983.

Directions of Scientific-Technical Progress

The basic directions of scientific-technical progress are taking shape under the impact of a set of interconnected factors. Most important among them are the

---

* In 1980, when the small Californian Genentech firm, which specializes in the biotechnology sphere, appeared on the NYSE for the first time, the price of its shares leaped in a few minutes from $35 to $89, which was the sharpest surge in the price of new stock that the majority of Wall Street brokers could remember.

** "Science Indicators 1982," Washington, 1983, p 290.

present-day trends in capitalist economics determining the economy's capacity for accepting the new technology and the practical tasks of preserving normal reproduction conditions.

Of independent significance is the inner logic of science--the combination of periods of the evolutionary and revolutionary development of scientific cognition and, correspondingly, the change in the priority nature of scientific fields and disciplines and the strengthening of the interdisciplinary nature of modern science. The entire postwar experience testifies that the priority nature of the current directions of science, particularly the fundamental directions, is anticipating to a considerable extent the structural changes for 10-20 years ahead.

All this is increasing the complexity of scientific-technical problems and determining the comprehensive nature of their solution. In the 1940's-1950's the development of science and technology did not, as a rule, go beyond a sectorial framework. In the 1960's-1970's the goal-oriented nature prevailed: the landing of a manned spacecraft on the Moon and the creation of the Concorde supersonic passenger aircraft or other big technical systems with preset technical-economic parameters for a certain period of time.

In the 1980's the approach has become deeper and more all-embracing.

Accomplishment of the majority of tasks like, for example, an increase in labor productivity, modernization of the production machinery for the purpose of reducing its consumption of resources and capital (re-industrialization), development of the infrastructure or conservation and improvement of the residential environment (particularly the problem of urbanization) requires the long-term and coordinated efforts of the constituent national scientific-technical potentials and their definite interaction. Major achievements are connected today not with individual novelties but with an entire set of contiguous technical-economic and sociopolitical decisions. This creates the most acute problems under the conditions of the capitalist production mode, which is organically unfitted for the linkage of the selfish aspirations of monopoly groupings, not to mention the interests of all of society. As a result many large-scale projects are failing. The "Independence" project announced by R. Nixon back in 1973 (with no less pomp than the Apollo program 10 years earlier) advanced the task of the United States achieving an end to oil imports by 1985. It was a resounding failure--liquid fuel imports had grown even more by the end of the 1970's. Under these conditions governments of capitalist countries have been forced to pay increased attention to the elaboration of a national scientific-technical policy. In combination with the reorganization of traditional methods of state-monopoly regulation attempts are being made to employ such new instruments as forecasting the development of science and technology, evaluating technology from the viewpoint of an all-around consideration of the consequences of its development and choosing the priority directions of scientific-technical progress.

Currently several directions may be distinguished whose development corresponds to the numerous requirements and limitations ensuing from the new conditions of capitalist reproduction, the exacerbation of global problems and the inner logic of scientific cognition.

Three most important spheres determining the foremost frontiers of the new stage of scientific-technical progress form the basis of the mass nature of the creation of innovations in the 1980's: microelectronics, new materials and biotechnology. These three spheres are connected by uniform technological content, which consists of an objective-logical transition from a variety of external (mechanical) influences on the subjects of labor to technological influences at the level of the microstructure of both inorganic and live material. They are also distinguished by a high degree of interdependence and contiguousness: the progress of one is based on achievements in the other spheres.* The revolutionizing impact of microelectronics, new materials and biotechnology is being experienced not by individual processes or groups of sectors but practically all aspects of economic activity.

Microelectronics remains the dominating direction of an improvement in material production, the services sphere and everyday life. There are currently more than 200,000 variants of microprocessor use.

A most important characteristic of the present stage of scientific-technical progress connected with the use of microelectronics is the simultaneous envelopment of practically all components and stages of material and nonmaterial production, the consumption sphere and a new level of automation. This level envisages unification of the processes of the development, production and sale of products and services in a single continuous stream based on the interaction of such directions of automation which were earlier developing independently as information-computer systems and data banks, flexible automated production processes, automatic design systems, machine tools with numerical program control, product shipment and stockpiling and production engineering process control systems and robotic complexes. The basis for such integration is the extensive enlistment in productive consumption of a new resource--information--which, combining with the production process, precedes it to a large extent, makes it possible to transform previously discrete production processes into continuous processes and creates the prerequisites for a final departure from Taylorism. When grouping automated systems, use is made of the modular

---

* For example, modern communications systems enhancing the efficiency of the use information-computer technology demand the use of new materials--fiber optics; the functioning of the apparatus for the recombination of DNA molecules is impossible without built-in microprocessors. Some new methods of the treatment of material for electronics industry use a monolayer of synthetic protein to produce solid-state metallic conductors and other methods of so-called biological soldering. It is anticipated that new successes in reducing the geometric dimensions of IC's will be connected with the use of artificial protein molecules obtained by recombinant DNA methods and performing the functions of binary memory cells. As a result it will be possible to obtain bioelectronic computers and other electronic instruments, of an evolutionary type included, distinguished by high-speed operation and density of packaging.

principle, as a result of which the problem of prompt change and readjustment of equipment becomes an organic part of technology and is effected with minimum costs and practically without a loss of time.

Transition to so-called information-intensive processing makes it possible to ensure the highest labor productivity thanks to the incorporation of controlling information flows in the production engineering processes. The efficiency of flexible automated systems is ensured by a reduction in the expenditure of live labor, savings in constant capital thanks to the increased equipment use factor (up to 0.95) and the possibility of the continuous modernization of production without having to stop it. Furthermore, there is reduced need for production space and auxiliary processes and services, the time of preparation of the manufacture of a product is cut and stock control is automated.

Use of the achievements of microelectronics is making it possible to raise the production engineering coefficients of equipment and enhance the efficiency of current techniques. The use of microprocessors in traditional processes is increasing product quality thanks to the more precise maintenance of operating conditions, shortening the production cycle and reducing the numbers of those employed (30-50 percent), increasing equipment productivity (by a factor of 1.5-2), cutting energy consumption (fourfold-fivefold), economizing on raw material and intermediate products and increasing equipment reliability (by a factor of 5-10).

Microelectronics have fundamentally changed the composition of fixed capital in nonmaterial production also: the credit-finance sphere, office work, trade and health care.

Microelectronics is invading just as decisively the sphere of individual consumption, creating a new wave of demand for short-term consumer goods and durables. They include video tape recorders and video cameras, video record players and radio phones. Home PC's are becoming a regular durable. Some 371,000 PC's were produced in the United States in 1980, but 4.5 million in 1984. The volume of their production even in physical terms has exceeded the manufacture of such popular products as kitchen machines (2.8 million in 1983) or home air conditioning units (2 million in 1983). Demand for new means of the spread of information is being engendered: data banks, cable television, video outlets, video cassettes and video disks and software.*

New materials. The general direction of technical progress in this sphere are the qualitative differentiation of materials at the stage of their production depending on subsequent structural use and a maximum reduction in subsequent processing. The revision of traditional concepts of materials technology in the 1980's and the active use of submicronic techniques in this sphere are determined by the number of prerequisites.

---

* Whereas 1.1 million programs for PC's were sold for $48 million in the United States in 1981, it is contemplated selling 58 million programs for $2.1 billion.

First, the acute need for the practical realization of a number of new production engineering principles (magnetogas-dynamic generators, new means of communications, thermonuclear synthesis) which have passed the stage of fundamental and applied research. Their application is being held back mainly by the lack of the necessary materials--magnetic, ceramic, optic.

Second, the shortage of mineral raw material reserves and ecological problems connected with their production, shipment and processing.

Third, under the conditions of the relative deceleration of the rate of technical progress the efficiency of existing techniques may be increased by way of the application of new materials without a change in traditional design principles.*

Among the promising directions of technical progress in the sphere of materials technology we may cite the creation of composite metal polymers, which serve as a basis for obtaining materials from nonfinite raw material--metal oxides (which constitute 90 percent of the crust)--and which possess the strength and infusibility of ceramics and the plasticity of metals; the use of metals in the vitreous phase and the cultivation of metal single crystals; the creation of superstrong frame polymers; new methods of influencing the molecular structures of the surface strata of materials; the development of substances with new optical properties (fiber optics); the production in space of particularly pure and also so-called biomedical materials.

Biotechnology is the latest direction of scientific-technical progress, capable of exerting an influence in the 1990's on the transformation of the technical bases of the economy comparable with electronics in our time.

There are certain reasons for expecting that entirely new industrial sectors with low energy and mineral raw material consumption will arise on the basis of biotechnology which will acquire key significance in world economics of the next century. Biotechnology will afford an opportunity for an appreciable reduction in the energy consumption of petrochemical processes and agriculture; and the use of accessible cheap and renewable sources of raw material. Its results could find an application in medicine, agriculture and the production of food products, petrochemistry, biological conversion of solar energy, the recovery of metals and obtaining energy from waste and help solve environmental protection problems.

Biotechnology affords considerable opportunities for the intensification of a number of areas of social production. The introduction of its achievements is ensuring not only an increase in production efficiency and a qualitatively new level of medical services, which is important for manpower reproduction, but also economies in resources of accumulation for production. The latter is being achieved as a result of the exceptionally high efficiency of biotechnological processes, which do not, furthermore, require high capital investements.

---

* In particular, in the event of the creation of a ceramic internal combustion engine, its efficiency will be 30 percent higher than the most modern metal engines.

Biotechnology firms are being set up one after the other in all the developed capitalist countries in the 1980's. There were only 5 of them in the United States in 1980, but in 1984 there were 200. A number of medical preparations of commercial significance is now being synthesized with the help of microorganisms, the large-scale production of biological feed additives has been developed and work is being performed actively in the sphere of plant biology.

Such are the basic features of the three most important directions of scientific-technical progress which to a considerable extent are influencing the processes of the structural reorganization of the economy, which will probably not be confined to the framework of the present century.

Economic Content of the Current Stage of Scientific-Technical Progress

The dialectical regularities of scientific-technical development have determined the content of the current stage of scientific-technical progress corresponding to the new conditions of the self-growth of capital. The stage of scientific-technical progress in question is developing for the first time in a period of the predominantly intensive type of reproduction. Its first singularity--the orientation basically toward qualitative and not quantitative aspects of economic growth--is connected with this. The emphasis is being put on the modernization and reconstruction of operating processes and not on the creation of new capacity; low energy consumption and the low materials-intensiveness of products; a transition from extremal production engineering conditions to low-parameter technology; and low-waste and waste-free technology.

The second is that the present stage of scientific-technical progress has simultaneously and to an equal, perhaps, greater extent even encompassed nonmaterial production, in which not only has the material composition of fixed capital changed fundamentally but new sectors have been created whose scale is comparable to the sectors of material production.* The sphere of consumption has been affected to a considerable extent.

New criteria of an evaluation of the end results of economic activity are moving to the fore: quality and reliability, the extent and rapidity of satisfaction of both mass and specific demand, the prompt adaptation to the changing external conditions of the activity of economic units and environmental conservation.

The investment process is acquiring new features. The costly and protracted stages of R&D, given a sharp reduction in the time taken to create fixed capital in physical-material form, are being made an organic part of it.

---

* Whereas in the FRG 20 years ago such types of equipment as information-computer equipment and communications equipment constituted 10 percent in the credit-finance sphere, in 1983, with regard for electrical engineering, they constituted more than 50 percent. In the United States the sale of computer software and maintenance services constituted in 1983 approximately $32 billion, which was more than the production volume of such major sectors of the American economy as aircraft manufacture, shipbuilding and machine-tool manufacturing. Furthermore, the volume of computer programs and services sold in the United States is almost three times as much as the analogous indicator of Japan, France, Great Britain and the FRG together.

Capital-intensiveness primarily per unit of useful effect is being reduced, and investment policy is being oriented not toward the creation of individual production processes but the satisfaction of a large-scale comprehensive requirement.

To the important singularities of the present stage of scientific-technical progress we should ascribe the new role of manpower. A shift of employment to increasingly high "intellectual stories" is occurring in the most advanced science-production processes. As a result of automation there is a reduction not only in manual but also brain work, which is leading to an increase in the relative significance of scientific research work and the activity of production organizers. In the science-intensive sectors of the economy up to 40 percent of those employed are connected not directly with production but with its preparation, support and control.

Simultaneously there is a lowering of the responsible decision-making level. There is increased significance in the breadth of the profile of the modern specialist and his capacity for rapidly becoming acclimated to the situation and operating under the conditions of a contradictory process: on the one hand the differentiation, on the other, the integration of spheres of professional competence, sectors of production and scientific knowledge. The decisions which are being made today by programmers, repairmen or operators could influence the activity of the corporation as a whole. For this reason the quality of available human resources is becoming a key element of the competitive struggle for the capitalist firm. The training, enlistment, motivation and continuous improvement of personnel require no less and sometimes more expenditure than the investments in producer goods.* This, in particular, is connected with the fact that the discrepancy in the individual efficiency of specialists, whose labor incorporates creative elements, could be manifold, whereas the maximum difference in the labor productivity of machine operators is not more than a factor of 2-3.

The decline in the relative significance of middle-income workers with an increase in the number of low-income earners is becoming a most acute social problem connected with the new stage of scientific-technical progress. According to U.S. Department of Labor data, in the period 1978-1990 the most rapid growth will be in the numbers of workers of eight professions, of which only one--nursing--could be called highly skilled, while the remaining seven are low-income professions of the trade sphere, public catering and health care. Calculations of the Bureau of Labor Statistics show that of the 20 most rapidly growing professions, 16 pertain to the services sphere, while of the 20 professions with declining numbers of employees, 14 pertain to manufacturing industry. On average work in the services sector is less well paid than in industry; the average annual wage of workers of the 20 sectors the proportion of which is declining is $5,000 higher than in the rapidly growing sectors.

* The American Bell Systems annually spends $800 million on the training and retraining of personnel and permanently employs 7,000 lecturers conducting several hundred different courses and programs.

Income distribution in the services sphere is more uneven, and there are fewer opportunities for labor mobility and professional growth here. As a result, an AFL-CIO report points out, society is being split into two classes: a small number of highly skilled workers in the upper part of the pyramid and the mass of semiskilled low-income workers at its foundation. The latest U.S. population census showed that the number of persons with the median income declined 24 percent in 1978-1983 alone, and, further, three-fourths of those who left this group began to receive less. Income polarization owing to the reduction in the proportion of jobs with median pay in the auto industry, steel industry and engineering is leading to a decline in the living standard and a further growth of inequality in distribution of the aggregate income and a deterioration in the position of many specific groups of workers, particularly of women and young people.

And, finally, a further singularity of the present stage of scientific-technical progress ensues from the current technical-economic conditions of the development of the production forces. The intensification of material production based on the use of microelectronics, new materials and biotechnology is raising the efficiency and production engineering coefficients of many traditional techniques, but is not yet abolishing and replacing them fully. For example, flexible automated production systems as a basic principle of the processing of a subject of labor use, as before, cutting, while the use of, let us assume, plastics and ceramics increases the efficiency of the long-known internal combustion engine. However, this contradiction is dialectical. In raising certain ceilings of many traditional techniques the current stage of scientific-technical progress is bringing them, as it would appear today, to the point of the "absolute" exhaustion of the potential contained in them and thereby preparing the prerequisites for an even more decisive revolution in the development of the production forces.

The current stage of scientific-technical progress is leading to a cardinal change in many economic relations and proportions: between the old and new sectors, small-scale and large-scale production and producers and consumers. World-economy relations are being transformed also.

The change in the proportions between the new and old sectors consists on the one hand of an appreciable expansion of the first. On the other, the technical basis of the base sectors is being perfected. The science-intensive sector's share of total U.S. industrial production in 1980 even constituted 29.8 percent, but of the numbers of employees 25 percent. These sectors are characterized by an orientation toward the permanent manufacture of new, technically intricate products. The period of the relatively isolated development of the new sectors, when they were largely connected up with one another, is over. An increasingly large number of the traditional sectors is experiencing the influence of technical progress. The scientific-technical potential of the science-intensive sectors is being actively redistributed in intersectorial product flows, and the rapid replacement of the fixed capital of the old sectors on the basis of the new technology is under way, which is affording an opportunity for an appreciable increase in the quality of the traditional product. Despite the general decline in the accumulation norm, the relative significance of capital investments in new equipment in the majority of industrially developed capitalist countries is growing. And this process

is proceeding avalanche-like, what is more. In the United States the proportion of information-computer equipment in overall equipment purchases constituted 39.9 percent in 1980, but 43.5 percent in 1983. It would seem paradoxical, but it is sometimes precisely the old sectors, where large-scale investments are required, which are undertaking large-scale reequipment more decisively than the new sectors. The former methods in steel industry and the production of certain types of construction materials have been superseded completely. For example, in six developed capitalist countries (the United States, Japan, the FRG, France, Great Britain and Italy) the production of bricks by a fundamentally new method constituted 85 percent of the total volume in 1981 (49 percent in 1970).

The time factor for the assimilation of new technology (oxygen converters, the continuous casting of steel, the floatation method of obtaining plate glass and the tunnel principle of brick roasting) has proven critical in a number of traditional sectors as a consequence of the seriousness of the problem of "survival" for the base sectors. In the majority of progressive sectors (engineering, for example) a more gradual, stage-by-stage deliverance from old equipment (the use of machine tools with numerical program control, draw looms) has been possible. Thanks to the divisibility of the production engineering process and less dependence on energy consumption, they have been able to permit themselves greater inertia in the replacement of equipment.

General production conditions and the personal consumption sphere are experiencing the strong impact of the present stage of scientific-technical progress. In the 1950's-1960's the role of "locomotives" of the development of science and technology and also economic growth were performed by auto manufacture, air transport, shipbuilding and the complex of sectors connected with them (metallurgy, highway construction, the extractive sectors and so forth). A common feature of their development was an orientation toward the mass manufacture of standard products given the assistance of highly specialized equipment, the use of transfer machinery with strict specialization and, correspondingly, the stimulation of the standardization of consumption. Under these conditions of the development of the material- and energy-consuming sectors a reduction in costs was achieved mainly thanks to economies in the scale of production.

The new technology base and the accessibility of information are changing the conditions of production and consumption. Under the effect of such factors as the individualization of demand, a certain satiation of mass requirements, a reduction in the time taken to satisfy demand and the constant threat of overproduction and a number of socio-psychological features there has been a sharp increase in the role of consumer demand as a stimulus of the qualitative development of production and services or, in other words, the formation of the directions of technical progress and the ultimate efficiency of material and nonmaterial production.

Modern modular, mutipurpose equipment is making it possible to increase the flexibility of production programs, optimize the combination of large-scale and small-scale production processes and to make efficient the simultaneous manufacture of dozens and even hundreds of modifications of a single product designed to increase the extent and rapidity of satisfaction of differentiated demand on a certain market or segment thereof. This trend is acquiring universal significance, as a result of which a reduction in costs is connected

not so much with economies in scale as with economies in the diversity or optimum variation of scale. The new techniques are activating different economic relations: they are geared to economies in resources and the individualization and specialization of production and consumption. Repercussions from the new relations will travel not so much along the chain of expenditure as along the lines of the growing effect from their application. A chain reaction will follow precisely in the sphere of savings of all types of resources. The increase in the role of consumers in the "producer--consumer" system* is summoning into being a set of organizational-managerial measures at the intrafirm level such as the increased liaison of scientific research with marketing policy, the preliminary ascertainment and quantification of potential requirements and an orientation toward satisfaction of narrow specific demand. The latter, in particular, is viewed as a means of combating innovation imitators inasmuch as satisfaction of a differentiated requirement implies filling a narrow segment of the market, in which the inevitable delay in sales (characteristic of innovation imitators) is fraught with the risk of losses.

Application of the new technology is exerting a certain deforming influence on world-economy relations. The evolved nature of the international division of labor is changing inasmuch as the new forms of automation are depriving the developing countries in a growing number of spheres of economic activity of the advantages connected with the availability of cheap manpower, which is influencing the traditional incentives for the export of capital. They are shifting from economies in labor costs to economies in costs connected with lower standards in terms of ecological cleanliness and labor safety, to which the developing countries are being forced to consent for the sake of industrialization of the national economies. In addition to the export of products and the export of capital the developed capitalist countries, primarily the United States, are beginning to use growing exports of scientific-technical information and scientific-technical services as a new instrument of "technological neocolonialism".

A neoconservative course has been set in the economic policy of the majority of developed capitalist countries since the start of the 1980's which is based on supply-side theory. The change in doctrines and practical measures also reflects, in particular, recognition of the incapacity of Keynesian methods of regulation for effecting a profound structural reorganization of the economy based on scientific-technical progress. Neoconservatives of all stripes, whether it be the Republican administration of the United States or the supporters of administrative-financial reform in Japan, the ruling coalition of the FRG or the British Conservative cabinet, are attempting to solve these problems by way of granting the most favorable terms possible to monopoly capital in the shape of the military-industrial complex, the transnational corporations and the corporations of the latest sectors, the stimulation of market forces, the effect of the mechanism of mass unemployment and a frontal offensive against the social gains of the working people. Acceleration of the rate of technical progress in the 1980's is inevitably bringing about an exacerbation of the strike struggle and the growth of social tension in the capitalist world. The intensifying class contradictions are being smoothed over with the help of the spurring of an atmosphere of chauvinism, anti-Sovietism and deterioration of the international situation. Bourgeois ideologists are also endeavoring to compensate with vistas of scientific-technical development for the lack of a historical social prospect.

* Both consumers in the production sphere and individual consumers are included.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

COOPERATION BETWEEN CEMA COUNTRIES, THIRD WORLD DISCUSSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 60-72

[Article by L. Zevin: "The CEMA Countries' Economic Cooperation With the Developing States--Inventions and Reality"]

[Text] The rapid growth of the trade and economic and technical assistance and the expansion of the production cooperation of the CEMA countries with the developing states are imparting to their mutual cooperation an increasingly stable nature and making it an important direction of the international division of labor. Together with observance of the general democratic principles of the equality of the sides, respect for national sovereignty, noninterference in internal affairs and mutual benefit this cooperation is characterized by a consistent policy of assistance to less developed partners in overcoming backwardness, creating the foundations of a modern economy and assimilating the achievements of scientific-technical progress by way of the transfer to them of scientific, technical and production experience.

The declaration of the top-level CEMA economic conference, "Preservation of Peace and International Economic Cooperation," confirmed anew its adherence to a policy of an improvement in the political and economic situation in the world and the development of fruitful trade-economic and scientific-technical relations with all states which display a readiness for this. "It deems it expedient," the declaration says, "to expand these relations primarily on the basis of long-term programs and agreements and to employ various mutually profitable forms of cooperation, including, inter alia, assistance in the technical provision and construction of facilities, industrial joint labor, the joint development of scientific-technical problems and such."*

The CEMA countries' economic cooperation with the developing states is a fundamentally new phenomenon in the relations with countries with dissimilar level of development and a different social arrangement. The fact that trade exchange between these two groups of countries has become the most dynamic sector of world trade testifies to its tremendous possibilities and prospects. Thus in 1951-1980 their mutual trade turnover grew by a factor of 32. Compared with the start of the 1960's the number of developing countries which have been rendered economic and technical assistance has tripled, while the overall

* "Top-Level Economic Conference of the CEMA Countries," Moscow, 1984, p 32.

volume of economic assistance granted them grew in this period more than 10-fold.*

It is for this reason that economic cooperation with the socialist community countries is eliciting tremendous interest in the developing states. Numerous studies have been devoted to it, and a desire to strengthen it is reflected in the pronouncements of leading statesmen and political figures and in the foreign economic policy of many countries of the developing world. The progressive public in the West has a positive view of the cooperation of the socialist and developing states, seeing it as a counterweight to the selfish practice of the transnational corporations (TNC).

At the same time, however, from the first days of their emergence economic relations between the socialist and developing countries have been the subject of numerous conjectures and speculations in Western literature.**

The movement for the democratic reorganization of world-economy relations and the single or close position of the CEMA countries and the developing states on the progressive provisions of the program for a new international economic order (NIEO) have brought about a new wave of attacks. Cooperation between the two groups of countries has become the target of bitter attacks by bourgeois economists and propaganda media. The spectrum of "criticism" is very broad--from outright falsification of the principles and practice of cooperation to voluminous studies of the state of theoretical development on the problem in the CEMA countries and the development of this area of international economic relations. This article analyzes the works of economists and political scientists and the set of typical arguments of Western criticism which they contain of economic cooperation between the socialist and developing countries reflected in the positions of the developed capitalist powers in international organizations.

I

The CEMA countries' cooperation with the developing states is opposed by its very nature to the practice of economic relations between countries with dissimilar development levels in the world capitalist economic system. In the latter market forces, differences in economic power, political influence and the activity of the TNC ensure for the more developed partners one-sided advantages. The growing discrepancy in the conditions of economic development between the developed capitalist and emergent states, the increased differentiation between the developing countries themselves and the exacerbation of socioeconomic contradictions in them are a most striking manifestation of this trend.

---

* See VOPROSY EKONOMIKI No 2, 1983, p 108.

** These include, for example, concepts distorting the essence of the foreign policy and foreign economic activity of the socialist countries in the developing states such as the "superpower" struggle for influence in the developing world, "rich and poor" nations, the "export of revolution," the creation of spheres of influence and competition for access to these states' natural wealth. The said and certain other concepts have been subjected to thorough critical investigation in the works of Soviet authors.

Imperialism's policy of implanting capitalist relations in the emergent states, private capital's ever increasing ouster of "state development assistance" in the sphere of the transfer of resources and the expansion of the TNC will have as an inevitable consequence a further intensification of the process of uneven development in the nonsocialist world, the emergence of new forms of the developing countries' dependence on the developed capitalist states and increased neocolonial exploitation.

The concepts of "mutual dependence" and "common responsibility" for the position of the developing countries, which have become quite widespread in the West recently, have as one of their goals "consecrating" the evolved unequal system of international economic relations, camouflaging its exploiter essence and imparting to it a respectable coloring of universality and historical regularity. It was not fortuitous that the said concepts occupied a prominent place at the top-level meeting of representatives of developed and developing countries in Cancun (Mexico, October 1981). Simultaneously they are critically spearheaded against the socialist countries' equal cooperation with the developing countries and its forms and methods conditioned by the socialist nature of society in the CEMA countries. The scrupulous position of the socialist community states, which have never participated in the exploitation of the developing countries and are not therefore responsible for the colonial past and current neocolonial practice, is being distorted and they are being reproached for "avoiding responsibility" and "egotism".

The Western interpretation of "mutual dependence" frequently emanates not from a need to strengthen under the conditions of the process of the internationalization of economic life international cooperation, between countries with different socioeconomic systems and development levels included, on a basis of genuine equality, respect for national sovereignty and mutual benefit. "On the contrary," Academician O.T. Bogomolov observed in a paper delivered at the Seventh International Economists Congress (1983), "a gamble is being made on the use of force and preservation of the developing states' economic dependence, albeit in more flexible and subtle forms than in the past...."*

Indeed, the growing interdependence of the processes of world-economy development are being used as a means of preserving the one-sided dependence of the underdeveloped periphery of the nonsocialist world on its centers under the new conditions. In this sense there is every reason to claim that the "mutual dependence" concepts are opposed to the NIEO program, the central provisions of which are the removal from international practice of the most undisguised, outrageous forms of neocolonial exploitation, limitation of the unchecked activity of the TNC in the developing countries, the establishment of equal relations and the right of all states to complete and consistent sovereignty over their natural resources and economic activity.

Proceeding from their scrupulous position in respect of the emergent states and taking into consideration the progressive ideas of the movement for the establishment of a NIEO, the CEMA countries organize cooperation with the

* MEMO No 10, 1983, pp 14-16.

developing countries on the basis of a comprehensive approach to their problems. Trade, economic and technical assistance, scientific cooperation and assistance in the training of personnel are viewed as an interconnected system whose purpose is to contribute to the expansion of economic exchange between the partners, an extension of the mutually profitable division of labor and the building of a diversified economy in the developing states. This approach to cooperation is making an appreciable contribution to the shaping of a national economy on a modern level capable of realizing the process of expanded reproduction both thanks to intrinsic resources and efforts and participation in the international division of labor on truly equal terms. As a means of assistance in overcoming backwardness and creating the independent economy of the emergent states, economic and scientific-technical cooperation with the socialist countries simultaneously serves as a basis for the further expansion of reciprocal trade and the extension of the division of labor between the two groups of countries.

The nature of the socialist countries' social system and their endeavor to take account of the partners' fundamental, long-term interests have also brought about new, socialist, methods of assisting the emergent states' development. Together with the principles enumerated above they are being manifested in assistance not only in the creation of individual, albeit large-scale, facilities but also in the formation of sectorial and territorial-production complexes (industrial and agrarian-industrial). For example, a group of interconnected works which form the backbone of the country's modern industry has been created and is expanding in India with the assistance of the Soviet Union and certain other CEMA members. These include the production of oil and its refining at four major refineries, the production of coal and iron ore, the smelting of steel at three metallurgical enterprises, the production of alumina and aluminum, basic engingeering plants, heavy electrical and mining equipment, the production of machine tools and instruments, several major power stations and so forth. Sectorial and territorial-production complexes of a varying degree of completeness function in Afghanistan (the mining of minerals, hydraulic engineering works, irrigation, land development and fertilizer production) and Egypt (the Aswan hydropower complex, a foundry, metal working, a shipyard, aluminum production, an oil refinery, land development and electrification of the villages) and also in Iraq, Iran, Syria and a number of other countries.

Such cooperation is contributing to the successful accomplishment of large-scale intersectorial tasks of the developing states, the fuller use of domestic material and labor resources and the strengthening of economic independence. Given the considerable growth of the volume of relations with the socialist countries, the developing states concerned can embark on the formation, with reference to their specific conditions, of a rational national economic complex on a modern basis with regard for the possibility of the organization of a stable division of labor with this group of countries. Cooperation in the training of personnel of all levels in accordance with the requirements of the emergent states' social development has assumed tremendous proportions.

When evaluating the cooperation of the socialist and developing countries, Western analysts usually employ the procedure which they use when examining developed capitalist states' relations with developing states, operating mainly

with the amounts of the transfer of financial resources. But many methods and channels of the transfer of resources in the interests of development which have become widespread in the practice of the socialist and developing countries' cooperation remain beyond their field of vision in this case. Such an approach, whether the authors intend this or not, distorts the actual state of affairs and provides an argument for unwarranted criticism of the socialist community on account of its alleged negligible contribution to realization of the goals of a NIEO.

In reality in terms of the ratio of allocated resources for assisting the emergent states and their basic economic indicators the more industrially developed CEMA countries not only are not inferior but are even superior to the Western powers. Delegations of several socialist countries at representative international forums, including the UNCTAD Sixth Session (Belgrade, 1983), have delivered statements in which they have called attention to the diversity of forms of their countries' commercial-economic and scientific-technical cooperation with the emergent states and the scale, methods and channels of assistance to the former colonies and semicolonies in overcoming their backwardness.

Every year states of the socialist community send many tens of thousands of specialists to assist in various spheres of the economy, science and culture, health care and so forth. Usually the rates of compensation for their work are established per an arrangement with the corresponding country on terms which are very preferential for it. A similar picture can be observed in the training of citizens from developing countries in the CEMA states. Tuition here, in the higher educational institutions included, is in the majority of cases free. For this reason the volume of assistance usually includes only the supplementary outlays on the foreign student's acquiring of an education. Approximately 100,000 students from Group of 77 developing countries are currently being taught in the socialist states. Inclusion of the base cost of tuition (and free medical services also) would increase considerably the actual volume of this type of assistance. Many hundreds of thousands of citizens of the emergent states have acquired skilled worker and technician specialties at cooperation projects, at which CEMA country specialists train them for free in the course of construction and operation of the enterprises. Approximately 2 million workers, technicians, engineers and other specialists have been trained for practically all spheres of these states' national economy with the aid of various types of tuition, given minimal expenditure on the part of the developing states.*

Publications of the OECD and the World Bank and the Western press extensively publicize the terms of "state development assistance" and the high proportion of subsidies and gifts therein. They forget to point out here, however, that on the eve and at the outset of the 1980's the relative significance of "state development assistance" in the overall flow of resources from the developed capitalist to the emergent countries declined to less than one-third compared with two-thirds in the 1960's. The remaining resources arrive via commercial channels on strict terms. By virtue of the effect of these factors the

* MEMO No 8, 1984, p 86.

expenditure of Asian, African and Latin American countries on debt payments is growing even faster than the amounts of the debt (they increased by factors of 5 and 3.5 respectively in the period 1975-1982).* At the end of the last decade the emergent states, which are resorting to borrowing from private sources, began to incur big additional losses on account of the rapid growth of loan capital market interest rates. By this time each percentage increase in the rates increased the developing countries' annual debt payments by almost $2 billion, while total interest payments in 1981 constituted $46.5 billion (that is, over two-fifths of all debt payments).** The adduced data testify that a considerable part of the burden of the international financial-currency system is being shifted to the emergent states, while this system itself has become a direct instrument of exploitation of the developing countries and of the pumping of resources into the developed sector of the world capitalist economy.

Also groundless are the assertions that the socialist countries' credit is granted on stricter terms compared with that of the West. Let us illustrate this proposition in the example of the Soviet Union--the biggest creditor and trade partner of the developing states among the socialist community countries. If we take as a basis the criterion of credit preference applied by the World Bank (the so-called "grant element") and extend it to the entire volume of resources transferred to the emergent countries along "state development assistance" lines and commercial channels, it is discovered that the value of the "grant element" declined from 37 to 22 percent for the Western powers in the period 1970-1979. The "grant element" calculated in accordance with the given procedure in Soviet credit, however, to African countries, for example, in the same period was in the 38-58 percent range.*** In 1978-1980 this preference component in the European CEMA states' credit to the developing countries constituted roughly 50 percent on average.****

II

In Western studies the "grant element" in the resources transferred to the developing countries has been based merely on the volume of "state development assistance". Naturally, this procedure embellishes the general picture of the transfer of resources from the developed capitalist states, the more so in that more than two-thirds of them are now being transferred via commercial channels. Thus relying on this procedure, the West German economist H. Wegener concludes that the terms of the West's assistance to the developing countries are twice as "soft" as the USSR's assistance.*****

---

* Fidel Castro, "The World's Economic and Social Crisis," Moscow, 1983, pp 95-97.

** See ibid., p 97, 100.

*** P.Ya. Koshelev, "Soviet-African Economic Cooperation: Results and Prospects" ("For Peace and Social Progress. Material of a Soviet-African Scientific-Political Conference" [Moscow, 13-16 October 1981], Moscow, 1982, p 35).

**** UN Doc. TD/280, 14 February 1983.

***** See H. Wegener, "Der Osten Blok und die Dritte Welt" (EUROPA ARCHIV No 10, 1977, pp 293-302).

H. Wegener's article represents a "classic" model of the Western interpretation of the economic cooperation of the socialist and developing countries. Let us for this reason dwell on it in somewhat more detail. An entire arsenal of the methods of which Sovietologists readily avail themselves is assembled here: the wish is passed off for reality and bourgeois institutions and orders are absolutized in order to show the "flimsiness" of the practice of cooperation with the developing countries of the Soviet Union on the one hand and to force it to bear the responsibility for all the consequences of the disorders in the world capitalist economy for these countries on the other; and the cavalier treatment of facts makes it possible to falsify actual processes and draw any conclusions.

Thus the socialist states are charged with their trade with the developing countries and economic assistance to them being of negligible volume. The inflexibility of economic planning in the CEMA countries, the bilateral basis of relations, nonconvertibility of the currencies and administrative obstacles are constricting, H. Wegener believes, the developing countries' potential for exports to the socialist countries. Therefore, he asserts, a long-term trend toward a reduction in the developing states' share of the socialist countries' trade turnover is operating.*

What, however, is happening in reality? UNCTAD Secretariat documents adduce data on the East European countries' trade and economic cooperation with the developing states which completely refute both the evaluation of past trends and the "forecasts" of this Sovietologist. In the 1970's the volume of the said countries' commitments within the framework of economic and technical cooperation with the emergent states more than tripled. Over 6,400 industrial enterprises and other facilities had been built or were at the construction stage or on whose construction agreement had been reached in Asian, African and Latin American states with the socialist countries' assistance by 1982.**

The European CEMA countries' trade turnover with the developing states was also highly dynamic throughout the 1970's: in terms of its growth rate these states emerged in first place (see table).

Average Annual Rate of Increase in the European CEMA States' Foreign Trade With Different Groups of Countries (%)

Group	1971-1983
Total	13.9
including trade with developing countries	16
developed capitalist countries	15.2

Estimated from MONTHLY BULLETIN OF STATISTICS, June 1984, pp XVIII-XXII.

* See H. Wegener, Op. cit., p 10.
** UN Doc, TD/B/853, 7 August 1981; TD/280, 14 February 1983.

Even in the latter half of the 1970's-start of the 1980's, when the world economy was experiencing severe crisis upheavals, the CEMA countries' trade with the developing states continued to expand rapidly: the average annual increase in the period 1976-1983 constituted almost 12 percent, which was 1.4 times greater than the rate of increase between the developed capitalist and developing countries.*

The adduced data testify convincingly to the stimulating impact of the system of regulation of foreign economic relations functioning in the CEMA countries on their trade relations with countries of the nonsocialist world also. Furthermore, trade between the CEMA states and the developing countries has become one of the most dynamic flows in world trade exchange, and this trend is of a long-term and stable nature. The heads of the CEMA countries' delegations at the 37th CEMA Session (October 1983) noted "the further expansion and deepening of CEMA's equal and mutually profitable cooperation with the developing countries."

The particular attention which the European states of the socialist community pay to the development of trade-economic cooperation with the emergent countries is reflected in the long-term growth trend of the latter's share in their commodity turnover. It increased from 6.9 percent in 1960 to 16.5 percent in 1980 and 19.7 percent in 1982.** The agreements on trade and economic and scientific-technical cooperation which have been concluded are grounds for asserting that in the present decade also the diverse economic relations of the socialist and developing countries will preserve their high dynamism. For example, at the LDC conference (Paris, 1981) the Soviet delegation reported that the volume of economic and technical cooperation with the given group of countries would more than double in the period 1981-1985 and would grow at roughly the same pace through the end of the 1980's.***

The course of the negotiations (item 17 of the agenda) of the Fourth UNCTAD Session--"Trade Relations Between Countries With Different Economic and Social Systems" (Resolution 95 ((IV)))--was also portrayed in an entirely distorted form in H. Wegener's article. The author asserts that under the pressure of the developing states the socialist countries had to "retreat" from their positions, agree to considerable concessions, promise to adopt specific measures to improve relations between them, remove trade barriers, considerably increase the amounts of assistance and increase its efficiency, abandon the strict bilateral balancing of trade and so forth.

The entire course of development of cooperation between the socialist and developing countries refutes such a false interpretation. Yes, there were lengthy negotiations at UNCTAD-IV in 1976, wording was carefully polished and differences arose on certain issues. But as far as the essence of relations between the said two groups of countries is concerned, it was a dialogue of partners mutually interested in the development of mutually profitable cooperation. A comparison of Resolution 95 (IV) with resolutions 16 (II) and

---

* Estimated from MONTHLY BULLETIN OF STATISTICS, June 1983, p XXX: June 1984, pp XVIII-XXI.

** UN Doc. TD/B/965. Add. 1, 31 August 1983.

*** UN Doc. A/ Conf. 104/17, 7 September 1981.

53 (III), which were passed on this question at the two preceding UNCTAD sessions, shows in the part pertaining to trade relations between the East European socialist countries and the developing states that it is their logical development and continuation. None of these resolutions contains a demand for the strict balancing of trade, all of them speak of the socialist countries' endeavor to expand and deepen trade-economic and scientific-technical cooperation with the developing states on an equal and mutually profitable basis, with regard for the specific requirements of the development of this group of states.

As far as trade barriers are concerned, as of 1 January 1965 all commodities imported from and originating in the developing countries have been exempt from customs dues in the USSR, and no restrictions of a noncommercial nature are applied in respect of them. Similar measures have been adopted in many other socialist states. Nor does Resolution 95 (IV) contain a demand on the East European socialist countries for their allocation of a fixed proportion of GNP in the form development assistance.

The question arises, why, then, did the author of the article need so to distort the true picture? He himself provides the answer (passing off the wish for reality): "The Group of 77 currently believes that there is the same fundamental conflict of interests with the socialist states as between it and the industrial nations of the West."* H. Wegener sees it as the latter's task to use this imaginary conflict in its own interests. The article is crowned by the provocative proposition that the East's refusal to now grant the developing countries assistance is releasing considerable potential, which it is using to the detriment of the West, primarily in the arms sphere. For this reason it is in the latter's interests for tactical considerations to take the side of the third world.** It would hardly be possible to show better the true motives of the imperialist powers' "sincere" interest in the given direction of UNCTAD activity.

For combating the East's "influence" it is suggested that the Western representatives in international organizations constantly raise the question of the socialist countries' inadequate assistance, stress the proposition of "general responsibility" and implement measures within the NIEO framework without the participation of the socialist states. This conceals an attempt to substitute for NIEO problems the "North--South" dialogue, in which the developed capitalist powers, taking advantage of their economic power, political influence and diplomatic experience, could pursue a compromise policy corresponding to their interests to a large extent and not affecting the foundations of the present unjust system of world-economy relations.

More objective, although, possibly, no more kindly disposed researchers are forced to acknowledge the rapid growth of the Soviet Union's trade with the developing states and its readiness to come to their assistance in situations where the Western powers have declined on this pretext or other to install key projects for the national economy. Indicative in this respect is B. Caplan's article "Soviet Economy and the Third World: Trade and Development" (sic),

---

* H. Wegener, Op. cit., pp 298-299.

** See ibid., p 300.

which was published in the American journal THE BANKER.* At the same time this author also was unable to surmount the prejudices typical of bourgeois scholars.

First, an attempt is made to extend to the Soviet national economy the motives and methods of the organization of relations with the developing countries which predominate in the economy and practice of the imperialist powers. In this context the author speaks of a race for raw material and oil in the emergent states, virtually of the seizure of Moroccan phosphates and so forth. Later he advances the supposition that instead of developing its own resources in the eastern areas the USSR will put the emphasis on imports thereof from the developing countries. Naturally, B. Caplan could not adduce any convincing facts to corroborate such inventions. Thus, as he claims, oil supplies to India have been used to increase Soviet influence, by way of the coordination of the two countries' 5-year development plans included. But every knowledgeable economist knows that such coordination on questions of mutual interest has been implemented for several 5-year plan periods since it corresponds to the two countries' requirements and is promoting the increased efficiency of their cooperation. In the same spirit the Soviet Union's assistance to a number of developing states in the formation of the nucleus of modern industry and the construction of large-scale enterprises is evaluated as "the USSR's ideological predilection for stimulating heavy industry and giant projects."**

The construction of large-scale industrial enterprises and, even more, sectorial and territorial-production complexes takes several years, as is known. The Soviet side's commitments pertaining to economic and technical assistance to this developing country or the other are usually determined on the basis of a special intergovernmental agreement or contract. For this reason a temporary discrepancy arises between the volume of commitments and their actual fulfillment at a given moment. The author, however, explains this entirely natural discrepancy owing to the tremendous volume of preplan research, design plans and specification, construction, assembly and adjustment work and also work on the creation of the production and social infrastructure by the alleged inadequate knowledge of the requirements of the emergent states and the need for the sake of breaking through onto new markets to take on risky, inadequately prepared projects which Western donors have turned down "for considerations of their low efficiency." Thus the West's unwillingness to contribute to the creation of the foundations of an independent economy in the developing countries is elevated to the level of a virtue and concern for the increased efficiency of their national economies.

Second, when the assistance of the Soviet Union and other CEMA members to the developing countries is being evaluated, account is not taken of the efforts within the framework of the socialist community, which includes, as is known, a number of states with less developed industry, to overcome their backwardness and bring closer together and equalize development levels. If there are even attempts made to reflect these efforts, again they are approached with the

---

* See B. Caplan, "Soviet Economy: Trade and Aid for the Third World" (THE BANKER, July 1981, pp 39-43). The author writes, inter alia: "There are Soviet foundries, dams and power stations on the majority of continents."

** B. Caplan, Op. cit., p 42.

Western criteria of the transfer of resources, the methods and instruments of assistance conditioned by the socialist nature of the partners' national economies remaining outside of the field of vision. The significance of the coordination of plans, other integration processes and the systems of the establishment of prices on the world socialist market, the free transfer of a substantial proportion of technology and industrial and professional experience and so forth are not taken into consideration. The impact of these instruments and methods on the national economy of the states receiving the assistance is considerably stronger than the "transfer of resources" in the Western interpretation. "The CEMA countries," the declaration of their top-level economic conference said, "consider it their international duty to continue on the existing just basis to assist the Socialist Republic of Vietnam, the Republic of Cuba and the Mongolian People's Republic in accelerating the development and increasing the efficiency of their national economies with regard for the tasks of socialist industrialization which these countries have set and to facilitate their extensive participation in the international socialist division of labor."*

Third, B. Caplan attempts to create the impression that the USSR's assistance in the strengthening of the defense capability of a number of developing countries for the purpose of defending their national sovereignty and counteracting external aggression, implemented at their request, is brought about by "selfish purposes," a desire to "earn foreign currency" and so forth. The Soviet Union's scrupulous policy of support for the peoples' struggle for national and social liberation, against the forces of reaction, colonialism and imperialism and against the export of counterrevolution is passed over in complete silence here.

Such inconsistency is also characteristic of the collective study "Eastern Europe and the Third World," which was published in New York in 1981. In one instance it is asserted that "as a whole the political position of the European communist countries in respect of the developing world is connected primarily with the competition between capitalism and communism." In another, ignoring the equal, mutually profitable nature of relations between the two groups of states and the CEMA countries' assistance to the former colonies and semicolonies in overcoming backwardness and building an independent economy in them, one of the authors writes: "As in the past, the main goals of the Eastern European governments in the third world consist of a search for new markets and commercial benefits."**

The works discussed above are a good illustration of how many Western authors distort the experience of cooperation between the socialist and developing countries. Lacking the possibility of glossing over its positive results, they attempt to explain them on the one hand by a disregard for the economic aspect (expenses can be ignored!) and domination of ideological motives and at the same time would have the reader believe that the purpose of the aid is "winning new markets," obtaining convertible currency, marketing products which cannot be sold on other markets, access to fuel and raw material sources

* "Top-Level CEMA Economic Conference," p 17.
** "Eastern Europe and the Third World," New York, 1981, pp 306, 343.

and so forth. Thus only political prejudice prevents them drawing the sole correct, logical conclusion that economic cooperation between the CEMA countries and the developing states is organized on fundamentally different principles than the relations of countries with different levels of development in the world capitalist economy.

III

Attempts have recently been made to criticize the economic cooperation of the socialist and developing countries from "purely" scientific positions. Let us cite as an example the study by C. Lawson and P. Wiles published in the form of a chapter of a collective monograph published in the United States.*

The authors have made a study of the stability of various trade flows, paying special attention to the comparison between the degree of participation of individual groups of countries in world trade and the instability of international economic relations which they cause. Their conclusions amount to the following.

First, the volume of trade between the socialist and developing countries is such that it could hardly serve as an effective instrument of stabilization of the foreign economic relations of the second group of countries. Second, this trade flow, contrary to assertions, is not stable and does not exert any significant anticyclical influence. Therefore, the authors continue, if the outlines for the expansion and stabilization of trade between the developed capitalist countries and the developing states which function currently are made if only a little bit more generous,** "the countries with a centralized planned economy will evidently have to offer something more than the present quite limited bilateral relations if they do not wish to appear less attractive partners than their political rivals."***

The study proceeds from the fact that the norm of international economic relations is the market system which prevails in the West, and disorders are considered departures from its "normal" functioning. But is it justified also evaluating with the criteria operating within the framework of one system the economic relations between countries (with different development levels included) belonging to different social systems and employing different methods of organizing and controlling the economy? Nonetheless, this is precisely how the authors act when comparing the influence on the developing countries of the annual trade protocols which are usually applied in their trade with the socialist states and the free movement of commodities under the influence of market factors. Quarterly indicators of the developing countries' trade with the East European socialist states are taken as the basis for comparison. In comparing these two methods they conclude that the latter ensures greater stability since it accords better with the inner springs of market relations. True, they make the reservation that the volume of relations between the

---

* See C. Lawson and P. Wiles, "The Soviet-Type Economy as a Generator of Disturbances" ("The Impact of International Disturbances on the Soviet Union and Eastern Europe," New York, 1980).

** The reference is to the IMF system of stabilization of exports (STABEX), the IMF compensation mechanism and so forth.

*** C. Lawson and P. Wiles, Op. cit., p 371.

socialist and emergent countries is as yet not great and that the fixed prices or quantity of goods in the reciprocal turnover of these two groups of countries could exert a certain stabilizing influence on a larger part of the market which is unstable in terms of demand. The fact that the movement of commodities on the basis of annual protocols occurs within the framework of medium- and long-term intergovernmental agreements, C. Lawson and P. Wiles assert, does not essentially change the picture.

How, then, to understand the rapid growth, entirely stable in the medium- and long-term aspects, of reciprocal trade between the socialist and developing countries? The authors themselves are forced to admit that its stability is increasing as cooperation between these two groups of countries develops, if trade is viewed in terms of aggregated indicators.* Naturally, upon an analysis of the flows from a more detailed angle (country-country) instability becomes considerably higher. If approached without prejudice, this is not difficult to explain. The socialist states appeared on the markets of the emergent countries recently; they do indeed as yet account for a negligible proportion of the latter's commodity turnover; and they lack "strong" points in the sphere of production (of the type of TNC affiliates, various forms of direct and portfolio investments and so forth). Therefore any change in conditions in the developing states' foreign economic sphere are reflected on them more strongly. In other words, it is not the socialist countries which are introducing instability to the markets of the emergent states but the prevailing spontaneity there and the stronger influence of other partners do not as yet make it possible to make full use of the potential opportunities of the long-term agreements and trade protocols for stabilizing trade-economic cooperation between them. Nor is account taken of the high degree of connection between trade and economic and technical assistance. Yet economic and technical assistance to the developing states has exerted (and continues to exert) not only a stimulating influence on the growth of reciprocal trade between these groups of states but is also stabilizing it and ensuring predictability and continuity within the framework of lengthy time periods.

Also entirely invalid is the formulation of the question concerning the anticyclical influence on the developing countries' trade of their relations with the socialist states. The authors claim as a result of a study they concluded that "except for several special cases, there is no evidence confirming that the socialist countries have a special policy of stabilizing imports from the developing states."** Truly strange logic. The socialist states are reproached for not acting the part of compensator for the instability caused by the movement of supply and demand on the capitalist markets. The authors remain silent for some reason or other about the fact that the planned economy of the socialist countries, the implementation of their foreign trade in close connection with and within the framework of national economic plans and the long-term agreements and annual protocols are oriented precisely toward ensuring the continuousness and stability of supplies and the removal from them as much as possible of the fluctuations creating strain in the fulfillment of plan quotas. This fact is a factor of the stabilization of relations between the partners who signed the agreement.

---

* See C. Lawson and P. Wiles, Op. cit., pp 361, 365, 368.

** Ibid., p 368.

C. Lawson and P. Wiles come into conflict with their own conclusions when they adduce data on the number of instances of stabilization in the "developed capitalist--developing country" and "socialist--developing country" trade flows. In both directions the number thereof proved roughly identical. A conclusion is drawn on these grounds concerning the approximately equal degree of influence on stabilization of the developing states' exports. But, after all, the given approximate equality has been achieved under conditions where the volume of the socialist countries' trade with the developing states has been far less than that of the capitalist countries (which the authors mention repeatedly). Given an objective approach, the conclusion suggests itself here: the relative contribution of the socialist countries to stabilization of the developing states' exports is considerably larger than that of the developed capitalist countries. And this is explained primarily by the socialist nature of the CEMA countries' national economy, the principles of their foreign policy in respect of the developing states, the effect of the long-term agreements on trade and economic and technical assistance and the application of an entire system of forms and methods of cooperation ensuring for the partners true equality and mutual benefit, regardless of the level of development and economic power, and also consideration of the emergent states' specific development requirements.

While associating themselves with the traditional criticism of the CEMA countries' cooperation with the developing states some researchers in the West recognize the objective basis of differences in the relations with these states of countries belonging to opposite socioeconomic systems. Thus the authors of the book "The CEMA Countries and the Third World. Economic Relations and Development Assistance" write: "The forms of development assistance (of the CEMA countries--L.Z.) differ markedly from the forms employed by the Western industrial states; capital assistance plays a subordinate part here, while credit is connected practically entirely with supplies on a bilateral basis."* The work emphasizes the considerable growth of trade between the socialist and developing countries even in periods of recessions and crises in the world economy and the positive role of intergovernmental agreements on trade and economic and scientific-technical cooperation and notes the existence in the trade relations of elements of assistance, its preferential terms for the recipients and the considerable volumes of technical assistance.

An endeavor to objectively investigate the state of this sector of international economic relations is also characteristic of the book "The Soviet Union and the Third World" by Columbia University (United States) associate E. Valkenier, although it is far from possible to agree with all the propositions of his study. He criticizes many rooted stereotypes in the West concerning the nature of the cooperation of the USSR and the other European socialist countries with the developing states. E. Valkenier writes, in particular: "From the viewpoint of the objective observer and from third world standpoints it has to be acknowledged that the impact of Soviet assertiveness, both direct and indirect, has been great. Directly Soviet assistance has contributed to the creation of local economic potential; indirectly it has led to a change in the conditions which have evolved in Western assistance and business practice."**

* H. Machowski, S. Schultz, "RGW-Staaten und Dritte Welt. Wirtschaftsbeziehungen und Entwicklungshilfe" ("Arbeitspapiere zur Internationalen Politik," Bonn, 1981, p 11).

** E.K. Valkenier, "The Soviet Union and the Third World. An Economic Bind," New York, 1983, pp 140-141.

The works in question here far from exhaust all the areas of Western authors' criticism of the cooperation of the socialist and developing countries. However, they are largely typical of the end of the 1970's-start of the 1980's. In connection with the movement for a NIEO some accents in it have been shifted and a number of new propositions has appeared. Whereas previously in the sphere of economic relations the spearhead of criticism was aimed at proving the "advantages" of trade with the West and its "assistance" to the countries of the developing world, now attempts are being made, contrary to the facts, to prove that the socialist community is remaining aloof from the movement for a NIEO and is indifferent toward realization of its provisions."*

The consistent exposure of these false slogans by the socialist states and the progressive public of the developing and developed capitalist countries in international organizations and at international forums has shown their insolvency and harmful nature for the progress of the movement for the establishment of a NIEO. Life itself confirms daily that the all-around cooperation of the socialist and developing states is strengthening not only the economy of the latter but also their positions in world trade and the international division of labor and multiplying the forces advocating a democratic reorganization of international economic relations.

---

* See for more detail on this MEMO Nos 7, 8, 1984.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

OVERVIEW OF INTERNATIONAL EVENTS (MARCH-MAY 1985)

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 86-105

[V. Babak, Yu. Krasheninnikov international roundup: "Current Problems of World Politics"]

[Excerpts] 1. En Route to the 29th CPSU Congress

A most important event in the life of the Communist Party and the entire country in the recent past was the CPSU Central Committee Plenum held on 23 April. It received and discussed the report "The Convening of the 27th CPSU Congress and the Tasks Connected With its Preparation and Realization" which was delivered by M.S. Gorbachev, general secretary of the CPSU Central Committee. The plenum adopted the decision to convene the 27th CPSU Congress on 25 February 1986 and confirmed the congress' agenda.

Great attention was paid at the plenum to questions of foreign policy. In the year of the 40th anniversary of the Great Victory the CPSU has again declared that it sees as the main purpose of its foreign policy activity the prevention of a recurrence of such a war, even more a nuclear catastrophe.

The struggle for the preservation of peace and to ensure general security is a difficult business and requires constant efforts. The international situation remains disturbing and dangerous. Responsibility for it lies primarily with the U.S. ruling circles, which are sabotaging disarmament, creating increasingly new types of weapons of mass destruction and continuing to act as the instigators of an arms race. Under these conditions, the plenum observed, an increasingly important task is the improvement and enrichment in every possible way of cooperation and the development of all-around relations with the fraternal socialist countries and their close interaction in the political, economic, defense and other spheres. The Soviet Union will purposefully and persistently develop relations with the other socialist states, including the PRC. The USSR's position on this issue is well known and it holds good.

The Soviet Union also advocates the further expansion of diverse cooperation with the Asian, African and Latin American developing countries and the development of normal equal relations with the capitalist states, including the United States.

And the USSR's declarations are not at variance with its deeds. This is confirmed by the new large-scale Soviet initiatives put forward in the spring. Our country proposed that the USSR and the United States freeze both sides' nuclear arsenals for the entire period of the Geneva negotiations and halt further missile deployment. This proposal was put forward at M.S. Gorbachev's meeting with members of the Socialist International's Consultative Council for Disarmament on 22 March.

In addition, guided by the endeavor to ensure a favorable atmosphere at the Geneva negotiations, the Soviet Union proposed a moratorium on the creation (including scientific research), testing and deployment of strike space arms, which would operate for the whole period of the negotiations. Not confining itself to this proposal, the USSR announced a decision to unilaterally impose a moratorium on the deployment of intermediate-range missiles in Europe and halt the implementation of other retaliatory measures connected with the deployment on the European continent of American intermediate-range missiles from 7 April through November of the current year.

The Soviet Union's proposals are honest, specific and realistic. They pursue the goal of halting the arms race on earth and preventing it spreading to space. And it is a question of a stage-by-stage process, furthermore: it would be possible at the first stage to freeze the nuclear arsenals, which should be followed by a cardinal reduction in nuclear arms.

As a measure leading to a limitation of the arms race the USSR proposes negotiating a halt to nuclear weapons tests. In accordance with this proposal, all nuclear powers should announce a moratorium on all nuclear explosions for the period up to the conclusion of a treaty on the complete and general banning of nuclear weapons tests. Such a moratorium could be imposed as of 6 August--the 40th anniversary of the atomic bombing of Hiroshima--or even earlier.

The new initiatives put forward by the Soviet Union elicited extensive comment worldwide. They have been evaluated by broad strata of the international community as evidence of our country's sincere aspiration to remove the threat of nuclear war and contribute to a general thaw in the climate in the world.

Unfortunately, there was a different reaction on the part of Washington and some of its allies. They hastened to brush aside the Soviet proposals, calling them "propaganda". It is appropriate to quote in this connection the opinion of the West German newspaper KOELNER STADT-ANZEIGER, which reasonably observes: "Nothing new occurs to the West other than to assert that it is a question of propaganda tricks or attempts to seal Soviet superiority. But how otherwise can disarmament be achieved if the arms buildup is not halted, if only for a start?" Another newspaper, FRANKFURTER RUNDSCHAU, wrote: "The West should treat the USSR's proposals with all seriousness if only because they contribute to an improvement in the political climate. Without any risk to its own security, the West could perfectly well respond with similar measures to the Soviet moratorium in the intermediate-range missiles sphere. Rejecting the Soviet Union's peace initiative, as the Bonn and Washington 'hawks' are doing, corresponds to absolutely no one's interests."

The first round of negotiations in Geneva showed that the United States does not intend to abide by the accords that were reached and is endeavoring on various pretexts to shift to the background such an important issue as the formulation of specific measures to prevent the militarization of space. Under the cover of the negotiations it is planning to carry out its "star wars" program, to which statements of high-ranking Washington representatives on the eve of the latest round of the Geneva negotiations, which began on 30 May, testify.

But despite the complex, tense situation and the difficulties at the negotiations in Geneva, M.S. Gorbachev emphasized, the Soviet Union preserves a sober optimism. We hope that our partners will heed the voice of the peoples, who want peace and a halt to the arms race, and that common sense, political realism and a sense of reponsibility will prevail.

An important component of the struggle for peace and the strengthening of international security is liquidation of the centers of tension which exist in the world and the settlement of a number of conflicts in Asia, Africa and Latin America. The USSR believes that the adoption by each permament member of the UN Security Council of an undertaking to strictly observe with the countries of these continents the principles of noninterference and the nonuse of force or the threat of force and not involve them in military blocs would contribute to this. For its part, the Soviet Union is ready to assume such a commitment.

Being simultaneously both a European and an Asiatic power, the USSR displays natural concern for the establishment of lasting peace in Asia. In the course of negotiations with Indian Prime Minister R. Gandhi the Soviet leadership raised the question of a comprehensive approach to problems of security on the Asian continent and the possible use here of Europe's experience to some extent--as far as the holding in the future of an all-Asia forum for an exchange of opinions and joint search for constructive solutions.

2. The Mighty Strength of Community

The complexity and tenseness of the international situation dictate the need for a strengthening in every possible way of the unity and cohesion of the fraternal states. An important landmark on this path was the meeting at the end of April in Warsaw of the top party and state leaders of the Warsaw Pact states. They examined the question of an extension of the Friendship, Cooperation and Mutual Assistance Treaty concluded in Warsaw on 14 May 1955 and exchanged opinions on urgent problems of European and world politics.

Many major initiatives aimed at consolidating security in Europe, development of the detente process and at disarmament are connected with the Warsaw Pact. As an example we may cite the Warsaw Pact states' proposal to the NATO countries on the conclusion of a treaty on the nonuse of military force and the maintenance of relations of peace. It is obvious that implementation of this proposal would contribute to the surmounting of Europe's division into opposed military groupings and would enhance the degree of mutual trust. However, the Western side is sidestepping the conclusion of such a treaty.

The fraternal members of the treaty have repeatedly declared their readiness to immediately dissolve the Warsaw Pact with the simultaneous dissolution of NATO. However, neither has this proposal met with understanding on the part of the West. Under these conditions the socialist states have been forced to adopt the necessary measures to ensure their security. At the meeting in Warsaw the heads of the delegations of Bulgaria, Hungary, the GDR, Poland, Romania, the USSR and the CSSR signed a protocol extending the treaty for 20 years with its subsequent prolongation for a further 10 years.

In a joint document the leaders of the fraternal states confirmed anew that they do not aspire to the achievement of military superiority, but neither will they permit military superiority over themselves. They advocate a balance of forces at the lowest possible level. The participants in the meeting once again declared their readiness to develop a peaceful dialogue with capitalist states in a spirit of good will and trust, but emphasized here that international relations may be introduced to a normal channel only on condition that imperialism abandon attempts to decide the historical dispute between the two social systems by military means.

Many important events occurred in recent months in the life of individual fraternal states also.

The 13th Hungarian Socialist Workers Party [MSzMP] Congress was held at the end of March. It summed up the MSzMP's activity in fulfillment of the decisions of the preceding congress and charted new frontiers. As the party Central Committee report observes, socialist national unity in the country is built on the basis of socialist ownership and the community of fundamental interests and goals of all classes and strata of society. The cooperative peasantry is the dependable ally of the working class. The intelligentsia is contributing actively by its work to the country's economic, social and cultural progress. Small-scale commodity producers, craftsmen and tradesmen, who are contributing by their work to satisfaction of the population's actual requirements, constitute approximately 4 percent of the working people. Hungarian society will have a need for their activity, the congress observed, for a long time to come.

At the same time, as can be seen from the report, small-scale enterprise is also giving rise to unfavorable phenomena. Some entrepreneurs are obtaining illegal profits. The direct-labor groups at the enterprises are sometimes used to avoid certain economic regulators. It was deemed necessary to resolutely combat violations of legality and abuses.

As of the mid-1970's, the MSzMP Central Committee report says, the economic policy of the party and the state has been aimed at overcoming the negative impact of external conditions on the development of the national economy and the population's living standard. The task of an improvement in the foreign economic balance and preservation of the population's living standard which had been achieved was set. It was observed at the congress that as of 1982 it had been possible to achieve constantly growing surplus in foreign trade commodity turnover and to improve the situation in a number of important sectors of the economy. The volume of industrial production in 4 years of the Sixth Five-Year Plan grew 10 percent, but this is behind the plan target. Agriculture and food

industry are tackling their set tasks successfully. The agricultural production volume grew 12-13 percent. It was emphasized at the congress that it had been possible under exceptionally difficult conditions to maintain the stability of the national economy and the basic social gains.

The party's tasks in the economic sphere for the coming period consist of unswerving continuation of the building of the socialist society and a strengthening of its material-technical base. A long-term concept of industrial policy and foreign economic strategy was elaborated and confirmed for this purpose. The Seventh Five-Year Plan outlines a national income increase of 14-17 percent, which may be achieved given a growth of industrial production of 13-16 percent and of agricultural production of 12-14 percent. This will make it possible to increase the domestic use of national income and create the conditions for a further improvement in the foreign economic balance.

The socialist system, Hungary's active participation in CEMA and friendship and constantly expanding cooperation with the Soviet Union serve as a guarantee that the high frontiers charted by the MSzMP congress will be reached. Thus in the current 5-year plan commodity turnover between the two countries will increase by a factor of more than 1.5 and approach R40 million. The coordination of national economic plans for the new 5-year period is being completed and a further development of production specialization and cooperation is planned. A program of economic and scientific-technical cooperation between the USSR and Hungary for the period up to the year 2000 has been drawn up and signed.

On 21 April the peoples of the Soviet Union and Poland commemorated the 40th anniversary of the Friendship, Cooperation and Mutual Assistance Treaty between the two countries. The important event in the life of the two countries is inseparably connected with the smashing of fascist Germany and the Great Victory in WWII, for which they paid so high a price. Tempered in the fighting against fascism, the alliance was made fast by the treaty, which has successfully stood the test of time. The USSR rendered the Polish people inestimable support in the difficult postwar years. Beginning 1948, more than 150 large-scale industrial facilities were built with its help and assistance was rendered in the construction of dozens of other industrial facilities in Poland.

Recent years have not been easy for the Polish people. The actions of antisocialist forces within the country and their patrons in the West caused serious difficulties in the economy. Production declined in a number of sectors of industry. Now, thanks to the assistance of the Soviet Union and other fraternal countries, the situation in the national economy is gradually improving. In 1984 the national income increased 5 percent compared with the preceding year, while industrial production increased 5.3 percent. Good results were achieved in agriculture. The cereals' yield constituted 30 quintals per hectare, which was more than 3 quintals higher than the average indicator for 1983. Some 24 million tons of cereals were harvested altogether. This has made it possible to reduce wheat imports.

Soviet-Polish cooperation is of a planned nature, which creates an atmosphere of confidence, stability and mutual trust in the two countries' relations. From 1950 through 1984 trade turnover between the USSR and Poland grew from R312 million to R11 billion. The Soviet Union accounts for over one-third of Polish

exports and approximately 37 percent of its imports. New prospects for the expansion of the two countries' interaction are afforded by the long-term program of the development of economic and scientific-technical cooperation between the USSR and Poland for the period up to the year 2000, which was signed in 1984 and which determines the strategy and main directions of bilateral economic relations.

The Sixth All-China Assembly of People's Representatives Third Session was held in April. The report on the work of the government was delivered by PRC State Council Premier Zhao Ziyang. He dwelt on certain results of the fulfillment of the plan of the PRC's economic and social development for 1984 and questions connected with the implementation of economic reforms in the country. The gross industrial and agricultural product grew 14.2 percent in 1984 compared with the preceding year, including an 8-percent increase in coal and oil production, and the growth of cereals' production constituted 5.1 percent and of cotton production 31.1 percent. The budget showed a deficit of 5 billion yuan.

A large part of Zhao Ziyang's speech was devoted to the difficulties which are arising in the course of implementation of the economic reform. These include the exorbitant issue of money, an increase in wages without regard for labor productivity growth and a considerable rise in consumer prices.

The session confirmed the PRC leadership's adherence to the "open doors" policy. The creation of 741 enterprises with the participation of foreign capital was sanctioned in 1984, which was higher than the indicators of the 5 preceding years together. The sum total of foreign capital investments in the PRC economy amounted to almost $2.7 billion last year--35.7 percent more than in 1983.

The session approved the plan of the PRC's economic and social development for 1985. In accordance with this, the growth of industrial production is to constitute 8 percent and of agricultural production 6 percent. The session also ratified the joint Sino-British declaration on Xiangan (Hong Kong) and adopted the decision to set up a commission to draw up a draft basic law for the special administrative area of Xiangan--PRC.

The sixth round of Soviet-Chinese political consultations at the level of deputy foreign ministers, who are special representatives of their governments, was held from 9 through 22 April in Moscow. The sides exchanged opinions on questions of a normalization of Soviet-Chinese relations. Interest was expressed here in a continuation of efforts aimed at an improvement in Soviet-Chinese relations, as was a readiness to broaden relations and contacts between the two countries in the political, economic, cultural and other spheres. The next round of such consultations is scheduled for October in Beijing.

3. Not Very Comforting Results

The commemoration of the 40th anniversary of the victory over fascist Germany marked even more distinctly a divide between the forces which, remembering the tragic lessons of WWII, are doing everything to prevent an incomparably more horrific tragedy in the future and those who would like to consign the

past to oblivion and rewrite history from scratch in accordance with their political aims. At a time when the world community was preparing to solemnly commemorate the notable day, a quite different atmosphere reigned in some Western capitals. "After 40 years... there should be no fireworks and victory celebrations...," U.S. President R. Reagan declared, to the unconcealed delight of his American and, particularly, West German sympathizers, who have long been dreaming of "drawing a line beneath the past" and "sparing the Germans the feeling of collective guilt" for the crimes of fascism.

For the sake of this a spectacle which shocked broad strata of the public throughout the world was conceived in Bonn and Washington. It was a question of Reagan's decision to visit in the course of his trip to the FRG a German military cemetery in Bitburg, where together with Wehrmacht soldiers cutthroats from SS units which were distinguished by particular atrocities on the occupied territories are buried. This blasphemous and cynical decision, which was made by the U.S. President at the request of FRG Chancellor H. Kohl, was motivated, as is known, by the desire of the leaders of the two countries to demonstrate "historical reconciliation" between former enemies. But millions of people on all continents evaluated it as a monstrous outrage upon the victims of fascism and an insult to the feelings of those still living, more, as an attempt to rehabilitate the Nazi criminals and their bloody crimes.

Long before the summit meeting was convened it had become the subject of numerous opinions, commentaries and forecasts in the Western press, and, which has virtually become the norm, notes of pessimism were predominant in them. And this was understandable, considering the experience of preceding meetings of the "seven". It shows that reducing the interests of individual countries and centers of capitalism to a common denominator is a difficult, more, impracticable task. The decisions adopted by the participants in the summit meetings are at best of a vague and entirely nonbinding nature. This is attested by the fact that for 10 years the leaders of the "seven" have been discussing one and the same problems: overcoming the crisis and stimulating economic growth, unemployment, currency-finance disorders, trade protectionism and the debt of the developing countries.

Also quite a difficult business, as practice shows, is coordination of the positions of the members of the "big seven" on political issues, although here the United States, calling the tune at the summits, has greater opportunities for imposing its will on the "junior partners". It is not fortuitous that as of the meeting in Williamsburg (May 1983) the growing "politicization" of the meetings has been observed. Washington is endeavoring to turn them into a permanent institution with which it might tie the allies more firmly to its aggressive, militarist policy.

It was clear on the eve of the Bonn summit even that it would be a continuation of established tradition. Washington was not concealing its intention of using the meeting of the leaders of the "seven" not only to discuss economic problems but also for the purpose of the latest demonstration of "Atlantic solidarity" and the "unity" of the Western alliance. Based on the "junior partners'" support for the United States' position on a broad range of military-political problems, naturally. The White House was also manifestly hoping that

the summit, as, equally, President Reagan's trip to a number of West European countries, would help blunt the anti-American mood in West Europe, which had increased sharply in connection with the deployment of the Pershings and cruise missiles here and also Washington's "star wars" plans. Setting off for the Old World, the U.S. President evidently also hoped to raise his own stock, which had been noticeably shaken recently as a result of a whole series of domestic and foreign policy setbacks.

Despite the concentrated pressure of the White House, at the end of April the U.S. House of Representatives turned down the administration's request for the allocation in the current fiscal year of $14 million to assist the Nicaraguan "contras". "The Reagan administration's biggest defeat," was how ABC television commented on the outcome of the vote. But the President's troubles did not end here. While he was in Bonn, the U.S. Senate, worried by the growth of the deficit, passed a budget amendment for the 1986 fiscal year providing for a reduction in federal spending. In accordance with the compromise version of the budget, the growth of military appropriations in the next fiscal year must not exceed the rate of inflation. Although, as observers believe, a stubborn struggle on this issue is still to come, the Senate's decision is nonetheless being seen as a warning to the White House: opposition to the administration's policy of unchecked militarization is increasing in the country.

Despite the thorough preparation of the Bonn meeting, its results, in political observers' unanimous opinion, were disappointing. "Reagan has returned home almost empty-handed," was how the British TIMES commented on the results of the meeting of the "seven". The American NEW YORK TIMES expressed itself no less definitely: "Only the policy disputes and protest demonstrations will remain in the public memory from the trip (of the U.S. President--authors).

The atmosphere of the meeting was clouded throughout by the "shadow of Bitburg". Whereas H. Kohl did not conceal his satisfaction in connection with the impending "reconciliation" show, the other participants manifestly did not share his feelings. Even such on the whole loyal an ally of Washington as British Prime Minister M. Thatcher called Reagan's intention to visit the Bitburg Cemetery "shocking and offensive."

Washington's high-handedness and tactlessness in respect of its allies (not to mention flagrant disregard for the protests of the international community) were manifested in another action also. Hardly had he reached the FRG capital than Reagan was announcing the imposition of economic sanctions against revolutionary Nicaragua. "The U.S. President is making peace with the SS and declaring war on Nicaragua. He is doing this in Bonn," the West German newspaper UNSERE ZEIT observed. And another newspaper, DIE STUTTGARTER ZEITUNG, not concealing its anger, asked whether Reagan and his advisers thought that by acting thus "they are treating the FRG virtually as if it is the 51st state."

Although, as already mentioned, formally the Bonn summit had been convened to discuss economic problems, it began with the adoption of the political declaration "Fortieth Anniversary of the End of World War II". It might naturally have been expected that in a document with such an imposing title it would have been a question of the causes of the war and the forces which unleashed it and which were responsible for the death of tens of millions of people.

But one looks for this in the declaration in vain. Its authors merely pay tribute to the memory of all "who were casualties of combat or who died as a result of inhuman treatment, exploitation and the predominance of violence." The Hitler criminals and the victims of fascism are hereby put virtually on a single footing.

Nor does the document make any mention of who performed the decisive role in the rout of German fascism and Japanese militarism and the anti-Hitler coalition, which united states with different social systems in a struggle against the common enemy.

On the other hand, there is no shortage in the declaration of grandiloquent phrases about the adherence of the leaders of the "seven" to the ideals of "freedom" and "social justice," "democratic principles" and "human rights". Pretending to the role virtually of arbiters of the fate of all mankind, the authors of the document proclaim "cooperation between North America, Europe and Japan... a guarantee of peace and stability" in the world. Here, though, are hypocritical regrets concerning the "division of Europe," in which can be discerned an ill-disguised call for a revision of the political realities which have taken shape on the continent. While declaring their adherence to the process begun in Helsinki, the leaders of the "seven" at the same time call in question a fundamental principle of the Helsinki Final Act--the inviolability of borders. Is it possible to interpret otherwise the part of the declaration in which its authors say that they "already see a state of peace in Europe in which the German people would by way of free self-determination rediscover their unity." The references to "self-determination" confuse no one: given the existing ratio in the numbers of the population of the two German states, "unity" could be achieved only by way of the GDR's absorption by West Germany.

And what is the "seven's" position on the cardinal issues of war and peace?

Paying tribute to the demands of the international community for a halt to the arms race and for a switch from confrontation to cooperation, the participants in the meeting declare their readiness "to conduct a high-level dialogue," their intention "to support the preservation and strengthening of a stable military balance at as low a level of armed forces as possible" and their aspiration to "an appreciable reduction in existing nuclear arsenals." At the same time, however, the declaration speaks of support for the United States' "positive proposals" at the Geneva negotiations, although, as is known, it is precisely Washington's position which is blocking the achievement of accords on a halt to the arms race on earth and its nonproliferation to space and a reduction in the level of military confrontation as a whole.

Nonetheless, we have to agree with the opinion of many Western press organs, particularly the British TIMES, that "the political declaration adopted at the meeting can hardly be seen as approval of the United States' approach to problems of arms control" (but it was precisely thus that Washington interpreted its meaning--authors). The document does not mention Reagan's notorious "strategic defense initiative". True, considering the serious disagreements on this question, the organizers of the meeting did not include it on the agenda. But unofficially it occupied the principal place at the

negotiations, in the course of which Washington attempted to gain the allies' consent to participate in implementation of the plans to militarize space.

The corresponding proposal was made by the United States for the first time (in official form) at the session of the NATO Nuclear Planning Group which was held at the end of March in Luxembourg. In his characteristically arrogant manner Pentagon Chief C. Weinberger made it clearly understood to his colleagues that Washington did not intend a lengthy discussion with the West Europeans of the program of preparation for "star wars". They should get on with deciding whether they would participate in carrying out the "strategic defense initiative" or remain aloof. "If your country is interested," was how Weinberger formulated his thought, as though dealing with clients of the law firm which he heads, "I request that you notify me within 60 days of an interest in this research program." Instead of sending his message a few days prior to the session to the capitals of the allied states, as is accepted diplomatic practice, the U.S. defense secretary personally handed the document to his colleagues and saw to it that it was made public immediately. Even in the government circles of the number of countries "invited" to participate in implementation of the "strategic defense initiative" (besides the members of the Nuclear Planning Group, this "offer" was also received by France, Japan, Australia and Israel), Washington's demarche was seen as an ultimatum.

Without waiting for the completion of the allotted time for "reflection," the United States embarked on the concentrated indoctrination of the allies, seeking their unconditional association with the realization of the importunate idea of the creation of an "antimissile shield". All resources were activated: from deception as regards the true goals of the "strategic defense initative" and intimidation with the mythical "Soviet threat" through attempts to tempt the partners with promises to afford them broader access to American technology. Washington even hinted at the possibility here of the easing of number of restrictions in respect of technology exchange between the United States and the other members of COCOM imposed under pressure from the U.S. Administration for the purpose of preventing an expansion of East-West economic relations.

Such promises are being perceived very skeptically by Washington's allies. And with reason. As the French newspaper LA LIBERATION observed, the experience of American-West European cooperation in the space research sphere has already shown that the United States is interested in the technical achievements of its partners, but does not intend transferring to them its own technology. In inviting the allies to participate in the program of preparation for "star wars" the U.S. Administration is attempting to involve them in plans whose implementation will be controlled entirely by the United States. Thus the West European countries, LA LIBERATION concludes, would find themselves in the position of some kind of contractors for Washington.

Nonetheless, although political and business circles of the West European countries harbor no illusions as regards "equal partnership" with Washington, at the same time there are fears here that a refusal to participate in the "research" stage of the "strategic defense initiative" will lead to an increase in West Europe's already considerable technological lag behind the United States and Japan. Such fears are intensifying even more in connection with reports that leading American companies closely linked with the Pentagon are conducting a real hunt for specialists on the other side of the Atlantic,

endeavoring to organize a "brain drain" to the United States. Another object of the unhealthy interest of the transatlantic traveling salesmen is the latest technology, which could be used for military-space purposes. According to Western press data, a number of American specialized agencies of the NASA type has already offered approximately 70 industrial firms and banks of the EEC states and also Japan participation in the "star wars" preparation program. The list of what the Pentagon would like to obtain from Japanese companies, for example, includes laser and optic devices, apparatus for operation at superhigh frequencies, light guides, LCD's and a number of other innovations in whose development Japan has overtaken the United States.

But whereas in Tokyo Washington's requests are finding, to judge by everything, a favorable response, the reaction of the West European states is not that unambiguous. Worried by the possibility of a drain of "brains" and technology across the Atlantic, the French Government presented the initiative for the organization of the West European states' cooperation in the sphere of the latest technology, including the creation of large-capacity computers, artificial intelligence, lasers, sensors and means of communication. In the opinion of political observers, this proposal (which has come to be called the Eureka Project) reflects Paris' endeavor to create a "united front" of West European countries in order to more successfully resist the American diktat and also not afford the United States and Japan an opportunity to consolidate their superiority in the development and assimilation of the technology of the future. The Eureka Project proposed by President Mitterrand, AFP observes, is the response to the technology challenge thrown down by the Americans in the sphere of both military and civil production.

To judge by the results of the Western European Union (WEU) Council session held at the end of April in Bonn, which discussed the Eureka Project, Paris' initiative has yet to gain the support of the majority of its West European partners.

The problem of the creation of a "technological Europe," to which France aspires, is directly linked with the question of the formulation of the common position of Washington's West European allies in respect of the "strategic defense initiative" and their possible participation therein. The attempts made in the course of the WEC Council session to overcome the existing disagreements were unsuccessful, and it was decided to return to an examination of this question at the council's next session in October. Commenting on the results of the session, the Japanese SANKEI SHIMBUN wrote: "The fact that the West European countries were unable to say 'yes' or 'no' to the 'star wars' plan reflects their intention to subject numerous dubious points of this program to serious discussion."

Washington was evidently hoping that the lack of a concerted position on the part of the allies on the eve of the summit would facilitate the task of their incorporation in realization of the "strategic defense initiative". However, the hopes were not justified. France rejected the United States' offer altogether, while the attitude of the majority of the other conferees to Reagan's idea, as the British OBSERVER put it, "varies from polite skepticism to unconcealed alarm." Only FRG Chancellor H. Kohl and Prime Minister Y. Nakasone declared the "legitimacy" and "justification" of research within the "strategic defense initiative" framework.

Many observers see the position adopted by Kohl (as far as Nakasone is concerned, he had spoken even earlier of his "understanding" of the plans for the militarization of space being concocted by Washington) as a kind of "payment" for the "firmness" which Reagan displayed in the scandalous Bitburg affair. But there is evidently a more important fact also. In President F. Mitterrand's opinion, Bonn's expressed inclination to associate itself with the "strategic defense initiative" is explained by the endeavor of the FRG, which does not have the right to acquire nuclear weapons, to circumvent certain "prohibitions established in the postwar period." In other words, if there is as yet no chance of getting one's hands on nuclear weapons, why not try and break through into the great powers via space?

Even greater disagreements between Washington and the other conferees were manifested during discussion of the situation in the world capitalist economy, primarily in the currency-finance sphere, where the United States is demonstrating a plain reluctance to reckon with the interests of its partners. Taking advantage of credit levers, primarily the high discount rate, and also the artificially high dollar exchange rate, Washington is pumping into the American economy multibillion-dollar sums of foreign capital. According to data of THE NEW YORK TIMES, from 1 January 1980 through 30 June 1984 the United States received from abroad $417 billion, including $170 billion from West Europe, $120 billion from Canada and $90 billion from Japan.

It is no secret that it is precisely the growing flow of foreign capital which serves as the drug which has helped maintain the comparatively high level of economic conditions in the United States in recent years. It is on the other hand providing to a considerable extent for the financing of the arms race unleashed by the present administration. According to estimates, two-thirds of the federal budget deficit, the main source of which is the gigantic spending on military preparations, are being covered thanks to foreign investors.

The West European countries and Japan, as, incidentally, other countries also, are naturally unwilling to reconcile themselves to a situation wherein instead of using the huge resources sailing away across the Atlantic for their own development needs (in particular, for creating new jobs and reducing unemployment) they are helping the United States solve its problems and thereby strengthening this country's positions in the competitive struggle. There is also another reason for the sharp criticism of Washington's actions on the part of its partners. They fear that the United States "living beyond its means" will sooner or later hit at the American economy itself, plunging it and, in its wake, the entire capitalist economy also into a state of chaos.

Incidentally, Washington is beginning to feel for itself some consequences of its egotistic policy in respect of the other capitalist countries even now. The United States' foreign trade deficit more than doubled in 1984--from $61 billion to $125 billion. A principal cause was the artificially high dollar exchange rate, which is leading to a substantial increase in the cost of American commodities and thereby a reduction in their competitiveness. Ignoring this fact, Washington officials are demanding that their partners, primarily Japan (the trade deficit with which constituted approximately $37 billion in 1984), they open up their markets more to American products.

At the end of March the Senate Finance Committee approved a resolution calling on the administration within 3 months to either have Japan grant American goods' increased access to its market or adopt measures to reduce imports from this country. A resolution demanding restrictions on Japanese imports was simultaneously passed by the House.

Under pressure from Washington Tokyo was forced to consent to certain concessions. In April the Japanese Government announced a "special program" of measures designed to ease the trade-economic friction between Tokyo and Washington. They provide for a lowering of imposts and customs tariffs in respect of a number of foreign commodities, particularly electronics and wood-processing industry products. Wishing to demonstrate the Japanese authorities' endeavor to reduce the huge surplus in trade with the United States, Prime Minister Y. Nakasone did not even consider it shameful to act the highly unusual part for a head of government of American traveling salesman: in his "address to the country" he called on each working Japanese to spend $100 on acquiring goods from across the Pacific.

However, the set of trade liberalization measures announced by Japan (the seventh, incidentally, in the last 4 years and the 45th since 1973) was perceived across the Pacific as a routine dodge. U.S. Ambassador in Tokyo M. Mansfield called them "devoid of real content" and demanded more specific steps for an increase in purchases of American goods, warning that an absence thereof would strengthen protectionist sentiments in Congress. "The United States and Japan have not yet started a trade war, but they are inexorably heading toward one," the British FINANCIAL TIMES wrote, characterizing the current situation.

No less strained are Tokyo's relations with the Common Market. EEC headquarters in Brussels and the capitals of the West European countries are also pointing to the huge deficit balance in trade with Japan ($11 billion in 1984) and accusing it of a "dishonest game". Japan, British Prime Minister M. Thatcher declared in an interview with the BBC, cannot expect "our markets to remain open" while it "is closing its markets to our goods." The "ten" also have many complaints against the United States, which, disregarding the "freedom of trade" principle so zealously championed by Washington when this concerns American exports, is imposing one restriction after another in respect of West European commodities on its own market.

The Bonn meeting demonstrated acute disagreements not only between the three centers of capitalism but among the West European states also. Observers are calling attention to the fact that France and the FRG occupied essentially opposite positions both in respect of Reagan's "strategic defense initiative" and on the question of the specific time and conditions of the start of a new round of trade negotiations within the GATT framework. In both cases Washington's proposals were rejected by Paris, but virtually fully supported by Bonn. By his actions, the Western press believes, H. Kohl showed that he attaches far more significance to a strengthening of relations with the United States than with France. The summit, LE MONDE writes, again confirmed the "shakiness" of the so-called "alliance between Bonn and Paris". Yet it was this "alliance" which was long considered the main driving force of "European building," that is, the process of the economic and political integration of the West European states.

Essentially the disagreements in the positions of the two countries which came to light at the summit reflect in the broad plane the different attitude of Bonn and Paris to the idea of the creation of a "united Europe". The Elysee Palace emphasizes in every possible way that progress in this direction is the "main pivot of the president's foreign policy and his vision of the world." FRG Government circles also have much to say about allegiance to the "European idea". But, as observers note, many of Bonn's actions contradict such declarations.

Whence the opinion which is widespread in France's official circles that the FRG is "turning its back on Europe". Characteristic in this connection is a headline of an article published in LE MONDE on the initiative, it is believed, of France's Ministry of External Relations: "Is West Germany Really Distancing Itself From the Community?" The position adopted by the FRG at the last summit can only strengthen such suspicions. True, after the meeting of the "seven" attempts were made on both sides "to fill in the crack" in relations between the two capitals. For this purpose FRG Foreign Minister H.-D. Genscher visited Paris on 23 May, while a few days later there was a meeting between President F. Mitterrand and Chancellor H. Kohl in the West German city of Konstanz. According to Western press reports, the main place at the talks was occupied by problems of the cooperation of the FRG and France and also the other West European countries within the framework of the French Eureka Project and the attitude toward Reagan's "strategic defense initiative". According to the statements of the two leaders, the sides reached an understanding concerning the creation in the very near future of French-West German groups of experts on modern technology issues. But it remains unclear here how to combine the FRG's possible participation in the Eureka Project with its contemplated association with the "star wars" preparation program. The meeting of Mitterrand and Kohl did not remove the fundamental differences on this question. "The FRG chancellor acknowledges the vital importance of Eureka for Europe," the French LE PARISIEN LIBERE wrote, commenting on the results of the negotiations, "but at the same time continues to look toward the Americans."

To judge by West German press reports, this position is causing a strain not only in relations between the two countries but also within the ruling coalition itself. As the FRANKFURTER ALLGEMEINE writes, whereas the CDU chairman, Chancellor Kohl, "has as a whole supported Bonn's participation in the space wars program," FDP Chairman M. Bangemann "has displayed caution," while another cabinet member from the FDP, H.-D. Genscher "although speaking of the government's unity on this question, is arranging his own emphases." The third party of the ruling coalition--the CSU--considers the FRG's participation in the plans for the militarization of space a "command of the times".

There are disagreements in the ranks of the ruling coalition on a number of other issues also, and recently, furthermore, they have assumed the nature of open divergencies. Observers connected this with the results of the 12 May North Rhine-Westphalia Landtag elections, which culminated in a convincing victory for the social democrats (who obtained over 52 percent of the vote) and a heavy defeat for the Christian democrats (who lost more than 7 percent of the vote). The CDU defeat in North Rhine-Westphalia was the third since the start of the year. It had earlier incurred big losses at the elections to the Saar Landtag and the local authorities in Hessen.

Thus the results of the May elections confirm that there is growing discontent in the country with the policy of the center-right coalition, which is characterized by an offensive against the working people's interests, the encouragement of revanchist sentiments and subordination of the country's interests to Washington's global ambitions. The scandalous wreath-laying ceremony at graves of SS officers was also reflected, observers believe, in the election results. Broad strata of the FRG public reject "reconciliation" with the Nazi past.

4. Defending the Right To Decide Its Fate Independently

The reputation of a most dangerous center of international tension has been firmly established for the Near and Middle East region in the postwar decades. Using in their own interests the still unsolved Palestinian problem and playing on the contradictions between states of the region and their complex domestic problems, the forces of international imperialism and reaction are blocking the settlement of conflict situations, which is leading to a complication of the political situation in the region. Events developed particularly dramatically last spring in Lebanon. The main reason for this was the continuing interference of outside forces in the country's affairs.

A conflict between armed detachments of Palestinians on the one hand and formations of the Amal Shi'a movement, which were joined by the 6th Army Brigade, on the other flared up in May. Artillery, armored personnel carriers and tanks were used. The losses on both sides are put at hundreds of killed and wounded. These clashes were the bitterest and bloodiest in many months of the war. The Sabra and Shatila Palestinian refugee camps came in for new destruction. Progressive political parties and organizations of the Arab East appealed to the belligerents to stop the bloodshed. After all, whoever inspired the military operations, it is primarily Lebanon's enemies which benefit from this.

An explosion of the United States' diplomatic assertiveness has again been observed in the Near East in recent months. In April a number of Arab countries and Israel was visited by Assistant Secretary of State R. Murphy. Secretary of State G. Shultz went there himself in May. The purpose of the continuing backstage machinations is resuscitation of the same Camp David separate deals policy. Hoping to take advantage of the agreement signed on 11 February between Jordan's King Hussein and Y. Arafat, Washington is persistently pushing the idea of direct negotiations between Israel and a Jordanian-Palestinian delegation without the participation of the PLO, in the course of which the fate of the long-suffering people would be decided in the absence of their true representatives and contrary to their interests.

The spring months were marked by a sharp escalation of the Iran-Iraq conflict. On 11 March Iran launched an offensive in the southern sector of the front north of Basra and Al Qurnah codenamed "Operation Badr". Its purpose was evidently to cut the strategically important Basra--Baghdad Highway. According to foreign press reports, large forces of the Iranian Army managed to cross the River Tigris and approached to within half a kilometer of this highway. However, the offensive stalled as a result of a counterattack by the Iraqi Army, which used heavy guns. The Iranian troops were thrown back 15 kilometers.

On 18 March Maj Gen S. Hashem, commander of Iraqi forces east of the Tigris, declared that there was not now "a single Iranian soldier on Iraqi territory."

The March fighting was among the fiercest and bloodiest of the war. Tens of thousands of men died. Total casualties in the conflict, according to various estimates, constitute 500,000-700,000. Combat operations continued in April and May. Iraqi aircraft, which in recent years have clearly dominated Iranian aircraft, constantly, according to reports from Baghdad, subjected "large maritime targets of the enemy" to aerial bombardment. On 19 March Iraq declared that it would henceforward consider Iranian airspace a "zone of military operations" and would shoot down any aircraft there. Foreign airlines were forced to cancel their flights to Tehran.

Worried by the expansion of the scale of the war, on 16 March the UN Security Council proposed as a first step to ending the conflict the imposition of a moratorium on military operations against purely civilian targets. In April UN Secretary General J. Perez de Cuellar held talks in Baghdad and Tehran with the leaders of the belligerents. At the end of his visit to both capitals he was forced to admit that the positions of the sides were "just as far apart as before." It was not even possible to reach agreement on banning the bombardment of cities and other localities. The senseless conflict goes on.

The undeclared war against democratic Afghanistan continues also, and the scale thereof is expanding continuously, what is more. As THE WASHINGTON POST observes, secret CIA assistance to the Afghan counterrevolution has become the United States' biggest secret operation since the Vietnam war. This year the United States and its allies will allocate almost $500 million for subversive activity against revolutionary Afghanistan. In approximately 120 camps of Afghan counterrevolutionaries on Pakistani territory American, Pakistani and other foreign instructors are training bands of mercenaries sent into the Democratic Republic of Afghanistan [DRA] to wage war against their own people. The Islamabad regime is resorting increasingly often to direct military actions against Afghanistan. According to Afghan press reports, certain Afghan counterrevolutionary camps have recently been relocated from Pakistani territory to the territory of the PRC.

The undeclared war against the Afghan people is being accompanied by unbridled anti-Afghan and anti-Soviet propaganda. The so-called "Afghan issue," which is intended to "justify" the aggressive operations against the DRA, Washington's militarist preparations in Asia and also tremendous military assistance to Pakistan, is being whipped up.

However, despite the great difficulties connected with repelling the aggression and overcoming the vestiges of the past, the building of the new life in Afghanistan continues. On 27 April the Afghan people celebrated the seventh anniversary of the revolution. Profound transformations have been effected in the country in this short period. The main one is that the class which ruled in the recent past, predominantly the landowner-feudal lords, have been deprived of the possibility of exploiting the broad strata of working people, primarily the peasantry, which constitutes 85 percent of the population. The land-water reform which is being carried out in the country has given the rural workers land and water. The average amount of irrigated land per family is 1.6 hectares.

Recent months were difficult for the people of friendly India. A factor complicating the situation in the country is the activity of separatists in a number of areas, primarily in Punjab and also in Assam and certain other states. Relying on the support of imperialist forces and reaction, particularly of the United States and Pakistan, extremists from nationalist parties and groupings are opposed to a normalization of life in the republic and are perpetrating acts of terror and sabotage. There was a sharp exacerbation of the situation in May in Delhi and certain other cities of the country. It was brought about by a series of bomb explosions on public transport and in crowded places, which led to numerous human casualties. The criminal acts of the separatists were aimed at preventing the normalization which, thanks to the actions of the government, has been discerned recently in the state of Punjab.

The situation in the state of Assam also is gradually returning to normal. Evidence of an improvement in the situation there, the TIMES OF INDIA believes, is the fact that there is no longer an atmosphere of confrontation between the central government and the state government on the one hand and the two local organizations which perform the leading role in the nationalist movement on the other.

Fulfillment of the sixth 5-year plan of the country's economic development was completed in March. The average growth rate of the economy in recent years has constituted 5.3 percent, which is considered quite a good indicator for such a country as India. A record cereals' harvest has been gathered in the present agricultural year--152 million tons.

An important event in the development of Soviet-Indian cooperation was the official friendly visit to the USSR by R. Gandhi, prime minister of the Republic of India, from 21 through 26 May. In the course of the negotiations, which were conducted in an atmosphere of friendship and complete mutual understanding, key questions of Soviet-Indian relations and also urgent international problems were discussed. The leaders of the two countries expressed profound satisfaction with the high level, effectiveness and diverse nature of Soviet-Indian relations and confirmed their mutual endeavor to continue efforts aimed at the all-around development and strengthening of these relations.

In the course of the visit by the head of the Indian Government to the USSR important new documents were signed: an agreement on the main directions of economic, commercial and scientific-technical cooperation for the period up to the year 2000 and an agreement on economic and technical cooperation between the two countries. The USSR will assist India in the creation of a number of specific facilities. These documents open new vistas in the cooperation of the two great states.

Important political changes occurred last spring in Sudan--one of the biggest African states. As a result of a bloodless coup on 6 April power in the country passed to military officers headed by Col Gen A.R.S. El Dahab, commander in chief of the People's Armed Forces. The new leadership announced the removal of President Nimeiri and all vice presidents and ministers and the dissolution of parliament, the Sudan Socialist Union ruling party and the local authorities. The constitution was suspended and a state of emergency was imposed.

The causes of the coup are well known. The policy of encouraging "free enterprise" and "open doors" for foreign capital which had been pursued by the Nimeiri regime had brought Sudan to the brink of catastrophe. The country's foreign debt had reached $9 billion, and the foreign trade deficit $2 billion, which for the country's underdeveloped economy was an astronomical amount. Since 1978 the national currency--the Sudanese pound--had been devalued 12 times, that is, twice a year on average! In addition, in recent years Sudan's agriculture had been the victim of the severe drought which had struck a number of states of the continent. As a result the food shortage assumed catastrophic proportions. A confidential document which had been prepared by the ousted government acknowledged that in the five worst-affected regions of the country the number of those actually starving was more than 4.5 million persons in a total population of the country of 20 million.

Despite the fact that the drought had lasted virtually since 1980, the Nimeiri government had done nothing to liquidate its consequences. The agrarian policy which it was pursuing had even made the food crisis worse. As M.I. Nugud, general secretary of the Sudanese Communist Party Central Commitee, observed, the government had assigned 4 million feddan of land for ill-advised agricultural projects. Trees were destroyed here, which accelerated soil erosion and desert encroachment, and, furthermore, these processes affected the traditional pasture of the nomads, who found themselves condemned to starvation. The situation contributed to an exacerbation of tribal discord and clashes.

Sudan's problems were made worse as a result of the prolonged war in the south of the country, where the Sudanese National Liberation Army had been conducting an armed struggle against the regime. The population of this part of Sudan--negroid tribes, mainly Christians and animists--were opposed, in particular, to the policy of Islamization which had been pursued in the country since September 1983.

In the south of the continent, in South Africa, the spring months were marked by tragic events. The Pretoria authorities instituted new mass reprisals against the country's indigenous population protesting against the degrading and inhuman system of apartheid. President P. Botha's extensively publicized policy of "reforms," in particular, the creation of a tricameral parliament (with separate houses for whites, "coloreds" and Indians), has not only not changed it but merely emphasized the total lack of rights of the Africans and shown Pretoria's unwillingness to recognize elementary human rights for the overwhelming majority of residents of the country.

The world community's anger was also triggered by another act of the South African authorities. For the purpose of maintaining their domination in Namibia they adopted a decision on the handover of power, formally, of course, to a "transitional government of national unity" formed from representatives of the "multiparty conference"--an alliance of six puppet Namibian parties. Throwing down a challenge to the international community, the racist regime is blocking fulfillment of the well-known UN Security Council Resolution 435, which provides for elections in Namibia under international supervision. The racists understand full well that the elections would bring victory for SWAPO--the patriotic organization which is fighting for the country's independence and which is recognized by the United Nations as the sole legitimate representative of the Namibian people. They wish to put their puppets in power in order to keep this pearl of the continent under their control.

In mid-April the Asian and African peoples commemorated the 30th anniversary of the Bandung Conference--the first conference of independent states of the two continents. It called for unity in the struggle against imperialism and for national independence, lasting peace and equal international cooperation. These principles subsequently exerted a big influence on the fate of Asian and African peoples. The conference contributed to the growth of their national self-awareness and the cohesion of the states. Its successor was the nonaligned movement, which was born 6 years later.

Recent months were disturbing ones in Central America. Having adopted a policy of interference in Nicaragua's internal affairs for the purpose of stifling the Sandinista revolution, the United States has turned the region into a center of dangerous tension. The range of the means and methods of combating the revolution employed by Washington is exceptionally wide: from military and financial assistance to surviving Somoza bands and the dispatch of armed mercenaries from the territory of neighboring Honduras through blockade of the country's sea ports; from suspending negotiations through total economic boycott; from a show of strength to unconcealed threats to intervene.

However, in the struggle to strengthen independence and assert their national dignity and the right to decide their destiny for themselves the people of revolutionary Nicaragua are not alone. All progressive forces of the world, primarily the Soviet Union, are on their side. D. Ortega, president of the republic and member of the Sandinista National Liberation Front National Directorate, visited the USSR at the end of April. In the course of negotiations with the Soviet side it was emphasized that the USSR resolutely defends the Nicaraguan people's inalienable right to free, democratic and independent development and makes common cause with Nicaragua's struggle against the aggressive intrigues of imperialism. It will continue to render friendly Nicaragua assistance in tackling the urgent tasks of economic development and political and diplomatic support in its defense of its sovereignty.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda", "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

INTERDEPENDENCE OF SOCIALIST, CAPITALIST ECONOMIES VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 106-113

[E. Pletnev article: "For a Political Economy Approach to the Worldwide Economy Category"]

[Text] A more difficult division is hardly to be found in political economy than the transition from an investigation of the economic basis of a society taken without regard for national boundaries to a study of production relations surmounting state divisions--both at the moment and as the result--these relations' intersecting of state borders. Here is what is for social science the key question of development from the nationally limited society--a cell of the entire universal completeness of interrelations in society--mankind.

The main difficulty of the scientific task set by K. Marx in the original version of "Das Kapital" consists, of course, not in the transition from a national to a planetary scale, that is, not of quantitative but of qualitative features. After all, the world as a completeness of production relations of the same type was conceived of by Marx not in the form of an aggregate, even less of a sum total of constituent particles but as the result of their interpenetration. For example, the "square" of the world market could have been formed not from connections to the little British "square" of the remaining national "little squares" but only by means of the concentration of the rays, more precisely, systems and nodes emanating from original cells (the North Italian, Dutch, British and so forth). And no world market or world economy can be sketched on a customary geographical map. The world economy is a deep-laid, concealed coupling, more precisely, a system of couplings. When they cross state borders, production relations undergo qualitative changes. In V.I. Lenin's colorful observation: "The sum total of all these changes in all their ramifications could not be encompassed in the capitalist world economy by 70 Marx's even."[1] But merely by the elaboration of the brilliant plan of six books[2] pertaining to a study of the economic system of his contemporary society K. Marx obtained the key to the logical transition from "society--nation" to "society--mankind". Marx's concept of the dual outlet: of the state beyond the limits of society and society beyond the borders of the state[3] was the brilliant answer to the methodological problem which had been set by Hegel: where is the bridge between the finite and infinite?

But a world embraced by irreversible revolutionary changes has sharply changed and immeasurably complicated the task of science. It is now a question not of finding the correlation between phenomena (and categories) of the national (state) economy on the one hand and the international (world) on the other. A far more difficult problem is revealing the interconnections between the two world economies--socialist and capitalist--on the one hand and the all-world (worldwide) economy on the other.

Three basic positions have been ascertained in the course of the discussion.

According to one of them, a uniform worldwide economy does not exist at the present time in view of its division into two opposite systems. In other words, the worldwide economy is a category reflecting realities of the past or future, but not of the present.

In accordance with another interpretation, the unity of the worldwide economy is not in doubt in view of the spatial coexistence and, consequently, simultaneousness of the economic processes occurring in both systems.

It seems expedient to us to defend the following propositions:

given the domination of the capitalist mode of production, international mutual relations (at first the worldwide market, but with the transition to imperialism, the worldwide economy) are of an exploiter nature for they are built in accordance with the model and likeness of the domestic, primary production relations of capitalism, being of the same type as the latter, albeit distinct from them, forming a particular sphere of intercourse;

upon the establishment of the communist mode of production as the universally prevalent mode on the planet, mutual relations between the peoples will be so adequate to the domestic collectivist system of each of them that the differences in domestic and international economic relations will be erased together with the withering away of state borders since the first will be regulated in plan-oriented manner from a single center in accordance with a uniform plan with the second;

in the era of the transition of all mankind from capitalism to socialism the worldwide economy is preserved, by virtue of the confrontation of the two opposite types of society, merely as a metasystem--a sphere of interaction between these systems of international relations, each of which has been built in accordance with the form of ownership of the means of production which engendered it (both systems of international intercourse here also attract respectively peoples which have not achieved a definite mode of production).

The need to defend our concept once again is brought about by responsibility before the question which only could be formulated within the framework of the defended position. Namely, by what methods can the intercourse of the two world systems be maintained in the sphere of secondary, that is, international, economic relations, considering the irreconcilable contrast between the types of their primary production relations?

World Scale or International Mechanism? Essential Specification of the Subject of the Argument

By degrees and of its own accord, as it were, an interpretation of the worldwide economy whereby the customary, commonplace notions, which again go without saying, are not disturbed imposes itself. Whatever exists in the world that is economic, this, as a whole, it is said, constitutes the worldwide economy. And not a single question, in view of the obviousness of this statement, arises, as it were.

A multitude of questions arises, on the other hand, upon a scientific approach to the actual incorporation of the socialist world economic system--together with the capitalist system--in the worldwide economy of our time.

Let us begin with the fact that it is essential to determine the measure of economic interaction of the two antagonistic systems in the worldwide economy. After all, the antagonism of these systems in the international arena is nothing other than a continuation and development of the intrinsic contrast of the classes--capitalists and proletarians--within the previous framework of bourgeois society (and national economic system). The two antagonistic systems may only constitute a unity between them, however, and a metasystem in the economic sense by means of exchange of activity on an equal basis across the intersystem frontier, that is, by way of secondary and tertiary, altogether derived transferred, nonprimary production relations, as K. Marx called these base forms of intercourse between peoples.

The exchange of economic activity across state borders incorporates all stages of production relations--exchange of the work itself, its prerequisites and its results. Making a fetish of the word "exchange" essentially for accusing opponents of a "barter concept" of the worldwide economy is not legitimate, in our view.

The political-economy approach to the contemporary discussion concerning the worldwide economy goes back with natural logic to Marx's theory of international production relations. It is all the more important to take this as the point of departure in that, according to the notion of the everyday consciousness, K. Marx undertook a study of the economy both within the framework of one country (Britain) and homogeneous economies on a world scale. Yet the founder of the political economy of the working class himself consistently emphasized that it is by no means a scale (quantitative) but essential (qualitative) difference which characterizes world capitalism as a system of national economy which has evolved whether here or there, that is, the exploitation of wage labor in the one case and as mutual relations between sums of capital of different nations (centers of the production of surplus value) in the other. It can in no way be concluded from K. Marx's theory that the sum total of national markets creates a worldwide market. The conclusion is entirely different: the domestic markets of some countries are external for other states merely to the extent to which these countries penetrate one another's economy by means of the international division of labor.[4] For this same reason the world (as later also the worldwide) market, in K. Marx's profound definition, appears as an, as it were, exclusive, domestic market in relation to the home and in relation to the foreign market.[5]

It has to be noted here that in K. Marx's time the connection between centers of the production of surplus value of different nations was expressed, as a rule, in the form of the worldwide market, and there are in no way sufficient grounds even retrospectively for transferring to those conditions the criteria of the worldwide economy. On the other hand, in the light of worldwide market relations being supplemented by the international production relations of the worldwide economy (on the eve and at the outset of the 20th century) the tasks of scientific cognition became more complicated.

The need arose for distinguishing precisely between the "world capitalist economy" and "capitalist world economy" concepts. In the first case we have the capitalist mode of production, which at one time enveloped the whole planet, but now a part of it. In the second the international system of the relations of capital. The first concept is broader.[6]

It is by no means a question of some verbal hierarchy or play on words but of an important scientific and practical problem--the correlation of the social and the national in the economy of world capitalism and in this connection of the degrees and limits of permissible diversion from the integral incorporation of this aspect in a political-economy synthesis.

Some participants in the discussion abandoned in advance, as it were, a delineation of such word combinations as "world capitalist economy" and capitalist world economy". They conceive of these different spheres of world capitalism as "undifferentiated" and "as customarily accepted". For example, having mentioned that in writing his book "Imperialism as the Highest Stage of Capitalism" V.I. Lenin saw his main task in showing "what the summary picture of the worldwide capitalist economy was," A. Shapiro continues: "And what? Did he really confine the study to the framework of international economic intercourse?"[7] However, it is permissible to ask: why should the researcher of the worldwide capitalist economy confine himself to a study merely of the relations of international economic intercourse? After all, what was most important in the capitalist economy of the whole world were the domestic processes of the formation of the industrial and banking monopolies and finance capital. And if, nonetheless, the investigation of imperialism as the highest stage of capitalism incorporates an analysis of international economic and political relations carried across borders by monopoly capital, this is because Lenin's formulation of the tasks in the brilliant book contemplated from the very outset a study not only of intra-economic but also worldwide relations (the export of capital, international monopolies, the political division of the world).

Not to cut short the quote that was begun, it runs thus: "...The task of the book was and remains: to show... what the summary picture of the worldwide capitalist economy in its international mutual relations was at the start of the 20th century and on the eve of the first worldwide imperialist war."[8] It can be seen in this logical point of departure that V.I. Lenin immediately distinguished two strata, as it were, of production relations for analysis: 1) the worldwide capitalist economy as a system of the domination of capital on the scale of the then whole world; 2) its (capital's) international mutual relations as a production system (subsystem) or, properly speaking, international connection between national links of accumulation.

Reducing matters to scholastic-terminological exercises, A. Shapiro reproaches us with the application of diametrically opposite definitions to allegedly one and the same concept and a shift of fundamental positions with "unusual ease."[9] He writes: "Here is one of his viewpoints: 'The world economy has come to be defined sometimes as an aggregate of national economies, sometimes as a system of inter-nation economic relations....' As 'proof' he quotes our criticism of the confusion of concepts in the 'Course in Political Economy': 'The world capitalist economy is the system of the international economic relations of imperialism...' ...but somewhat further on is added: 'The world capitalist economy represents the complex and contradictory whole of national economies'. The incorrectness of the first and correctness of the second... definitions, E. Pletnev concludes, are obvious."[10] Further a list is adduced of logical qui pro quo which we have allegedly permitted.

However, the trouble with the argument is that the logical substitutions and leaps are made not by us but in the minds of our opponents, who are certain in advance that it is not permitted to allow any transpositions of terms in the constructions of scientific definitions even upon a transition from one concept to another. But the attentive reader will see immediately that the incorrectness of the identification of the world capitalist economy with international economic relations was proven by us on the basis of the logical rule of the irreducibility of the whole and its part. The authenticity, on the other hand, of seeing the capitalist mode of production on a world scale as a whole composed of national economic elements is merely a statement of historical reality. The two different concepts interpret different aspects of the economy of world capitalism and cannot be identified in view of their imaginary similarity.[11]

It is no less important to distinguish the theoretically and practically dual system nature of world socialism as a uniform system of relations between classes (based on the elimination of man's exploitation of man) in a group of countries of different continents and as a new type of economic and political relations between peoples of the entire community. This delineation, which is obligatory for scientific study, is not always precisely observed in the voluminous economic literature on questions of socialism. And thanks to the prevalence of the everyday consciousness, which steers clear of "piling up" theoretical complexities, simplistic ideas concerning the world-economy spheres of socialism accumulate.

The comprehension of the worldwide economy as a metasystem of mutual relations between two opposite--socialist and capitalist--systems of the world economy which we propose is particularly objected to by our opponents.

It would seem that the basic theoretical difficulty of a comprehension of the contemporary worldwide economy in the form of a metasystem is rooted precisely in the unwonted approach to this phenomenon (the worldwide economy) as a system of international economic relations encompassing mutual relations in the sphere of the economy between capitalist and socialist states as a subsystems, but without the inclusion of their "nuclei"--the forms of ownership. For it is typical of these "nuclei"--private and public forms of ownership--which are opposite in terms of political-economy essence, to repel and not approach.

The majority of developing countries, however, is as yet incorporated in the capitalist system of the world economy, although an increasingly significant proportion of the emergent states is oriented toward cooperation with the socialist community.

The main methodological difficulty preventing acceptance of our concept consists of an incomprehension of the metasystem as a universal connection of an "intersystem," so to speak, nature. The prefix "meta" expresses not the giant number of participants in the intercourse. It indicates that the relations between the two systems differ qualitatively from the mutual relations between participants within the framework of each system. They presuppose in advance their "filtering" and "weighing" by the economic regularities in their own world.

For example, any capitalist country and each socialist state invariably and to a definite extent reflect, upon entering into an economic deal with one another, the mutual relations between opposite systems of intercourse taken as a whole.

One further difficulty is that the "meta" concept does not mean space, sphere, aggregate, mass (wealth, property and so forth). The reference is to economic relations and the form of development of the production forces on both sides of mankind's division into two modes of production.[12] In the situation of the revolutionary division of the world into two systems it was determined by V.I. Lenin that "there is a force greater than the wish, will and decision of any hostile government or class, this force is general economic worldwide relations."[13] The idea that economic relations may be worldwide only as relations which are common to both systems, joint, mutual and ultimately mutually profitable calls attention to itself in this conclusion. I believe that this is the best definition of the worldwide economy of the era of man's transition from capitalism to communism, for any economy, and a worldwide economy even more so, is for political economy nothing other than a system of economic relations.

True, some participants in the discussion believe that the general economic worldwide relations were being spoken of "in another connection" and not as a synonym for the worldwide economy. They argue here approximately thus: it was only a question of the worldwide economy after the world's first socialist revolution when it was a question of the use of Russian raw material for raw material is linked with production, and it is it, they said, which is the economy. And it was in vain that we attempted to specify that it is not the enterprises themselves but the connection between them across state borders or, in the classical definition, the "dense network of channels" which forms the very fabric of the worldwide economy.

It is precisely the "network" approach to the worldwide economy which encounters objections. "Given such an approach, the worldwide economy ceases to be an economy in the scientific understanding," Yu. Shishkov asserts.[14] In his interpretation it transpires that the economy incorporates unfailingly the process of labor itself, its material conditions and the result flows, that is, what is usually recorded by a superficial glance at the shops, warehouses, transport and buildings. Yu. Shishkov calls attention to the fact that, he says,

the subjects of the relations--the national economies--fall away. However, it still has to be proved that the national economies, which are declared universally to be the "principal characters," really perform this role from the viewpoint of political economy!

Yu. Shishkov concludes in respect of our interpretation of the worldwide economy: "What results is some sterilized extract, theoretically separated from the living economic organism and, possibly, suitable for highly intellectual discussion, but knowingly nonviable."[15] The scholar can only dream of such a compliment: after all, our position is recognized as some sterilized extract theoretically separated from the living organism (but after all, this is the way to obtain political economy categories!--E.P.) and, second, suitable for highly intellectual discussion. Truly, about the nature and role of political economy categories it could not be put better!

'Intercountry' Oddities and Object Deadlocks

The marked difference of scientific tasks upon an investigation of the state (national) on the one hand and interstate (international) economy on the other could not have failed to have struck bourgeois economists in the latter half of the last century even. But vulgar economists saw this difference only within the bounds of surface phenomena, within the limits of direct tangibility.

"The world economy, as it is today, appears to us primarily as an aggregate designation of the sum total of relations which ensue from migrations and journeys and exchange of goods, money, mutual demands and services in the world and which acquire clear expression in transport, trade and payments," A. Sartorius von Waltershausen wrote.[16] As a true representative of the neo-historical school, he "deduced" all flows of capital, people, commodities, services and money from the will of their owners and legal deals between the leaders of individual economies. The world economy as a historical fact was for him inconceivable without law.[17] Of course, such an idealistic limitedness in the juridical explanation of the economic forces driving the flows of embodied labor and the vectors of the capacity for live labor now appears naive.

It is perhaps appropriate here to answer the charges on the part of our opponents of a so-called "intercountry" interpretation of the worldwide (as also of the world) economy. First, nowhere are international economic relations identified with flows of relations between countries. We have already had occasion to note: "In any event, if the worldwide economy represents a certain system of social, economic relations, the connections in this economy--world-economy connections--may be considered the materialization of these mutual relations, that is, their suffusion with flows of benefits, resources and manpower (commodity flows, capital flows, labor flows). Severance of these actually tangible flows would mean a disruption of the connections, but not the extirpation of the relations, which are rooted in the international conditions of production, the international division of labor, the correlation of mutual obligations and demands, investment and credit positions and so forth."[18] Second, the charge of the assertion that "the worldwide economy is merely an aggregate of international economic relations"[19] is unsubstantiated since nowhere have we asserted this. We merely pretend to a portrayal of the worldwide economy of our day not as the sum total but a system, metasystem even of mutual relations.

System character presupposes an interaction which becomes self-propulsion of the given sphere. Of course, the system acquired the original impulses of worldwide economic relations on the reproduction side. But, having apprehended these impulses, the international wholeness taking shape develops the force of retroaction on the reproduction processes. And it is altogether incorrect to see a special analysis and separate study of international economic relations as a separation from production relations, constricting the latter to connections at the time of the act of production itself.[20] International economic relations, albeit pertaining to transferred (according to Marx), transplanted (according to Lenin), outside production relations, they nonetheless do not lose their roots in the basis of society.[21]

The constructors of "intercountry" connections once again will not, I believe, pay attention to a reproduction here of considerations which we expressed earlier. After all, international economic relations are seen by these authors ("objectists") only as trimmed relations, divorced from production, "suspended," as it were, in some vacuum. Such "intercountry"--without addressees and addressers--connections cannot, of course, constitute either a real or ideal network of worldwide economic relations.

However, our opponents proceed from a "truth" which is to them self-evident: since the economy means production, the exchange of economic activity or intercourse signifies nothing other than exchange deals. Whence, in particular, the accusations that the worldwide economy is "identified" with the market.

In our concept of the capitalist world and socialist world economies the paramount meaning is attached to direct-production connections across state borders. After all, we indeed ascribe whatever production direct connections themselves across state borders and across the boundary between the systems to secondary connections! It is during the very transfer across the borders that they become secondary from the world-economy viewpoint.

Even given the movement of production relations in a homogeneous world-economy environment, as given the export of capital, for example, the transferred set of social connections is formed in the country of exportation, that is, as a result of the "overaccumulation" of monopoly capital as a whole, the effect of the law of production prices, monopoly prices and so forth. Finding itself in the host country, this capital does not sever the connections with the mass of home capital and begins to accumulate under its control and for the purpose of the optimization of accumulation in the mother companies. Its activity in the new location is inevitably secondary precisely by virtue of its being under the control of the exporter of the capital.[22]

It is significant that the participants in the discussion urging the "grounding" of the worldwide economy and its "setting" on a material base nowhere give their own version of the conversion of national economy into world-economy relations. For them such a problem simply does not arise! After all, in accordance with their logic, only that may occur in the worldwide economy, as an aggregate of national units, which occurs in its constituent parts.

True, the question arises: how are "intercountry" relations born? And a description of a historical nature substitutes for both analysis and synthesis here. It is not fortuitous that the greatest popularity was long since won by

the descriptions of the coming into being of the world economy by the followers of the so-called historical school of economic thought. They proceeded from what went without saying: since there is an economy, consequently, it is headed by a master--the commander. Thus, according to the thought of the head of this school, F. List, the national economies are the economic subjects of the world economy endowed with wills and consciousness.

In arguments against the mechanistic-idealistic outline of the historical school Marxists have shown convincingly that such concepts as "people" and "country" cannot be support categories of economic theory.

At the time of the discussion of the world economy among Soviet economists in the 1920's-1930's a number of its participants essentially accepted the outline of the historical school, "sociologizing" it somewhat. Thus M. Spektator wrote: "in the arena of the world market we encounter the subjects of the world economy, which subordinate and exploit the peoples--the objects of the world economy." And here: "...To characterize world-economy relations... we employ the expression 'world economy,' just as for a characterization of the development of capitalism in its previous era we speak of the national economy."[23] In other words, substitution for the subjects of the will in individual economies of "peoples" or "countries"--subjects on a world-economy scale--was for M. Spektator the criterion of determination of the transition from one stage of development of the "national economy" to another--the world economy. True, other participants in the discussion at that time objected to this outline. Yet, M. Spektator answered them, it is well known to every competent person that that was precisely how it was.[24] Here we have it, the secret of the vitality and deeply rooted nature of simple common sense: "who does not know this," "does not everyone know," "how could it be otherwise"? They also support the conviction of those who see the worldwide economy everywhere the pointer "lands" on the globe.

It is somehow embarrassing persuading people that the investigation of questions of the use of the production machinery and manpower is conducted within the framework of the teachings on production and accumulation; the study of the problems of the phases of the circulation and turnover of material values is conducted in the theory of capital circulation; the tasks of disclosing the factors of the efficiency of enterprises, price-forming and so forth in the sections on the economic mechanism. It has proven useless calling attention to the need for abstracting from problems of the domestic economy which have already been ascertained for a transition to an object study of the mechanism of its emergence on external and world markets and in the arena (more precisely, in the dimension) of the worldwide economy.

But our opponents are not for an instant reconciled to the "ejection" from the worldwide economy of its "core"--physical-material attributes--and to the expulsion of the "worldwide" to the backwoods of the real (that is, embodied in at least some property--E.P.) economy and so forth.

Suspending our lamentation, it is time here in the interests of scientific methodology and pedagogics to put the direct question: why in urging a unified study of national and international economic phenomena are our opponents

manifestly forgetting their adherence to the "undifferentiated" method? Why when describing the worldwide economy do they cast aside problems of production, domestic circulation and reproduction and turn the readers' attention to purely international subjects: the export of capital, international monopolies, exports and imports of commodities and services, currency relations, interstate integration, centripetal and centrifugal trends and interimperialist contradictions and so forth?

This sidestepping of their own commandments is explicable. After all, it would otherwise be necessary to set an example of disclosure of the unity of the worldwide economy in their interpretation: as an integral process of reproduction not only of the physical-material values of the whole planet but also of the social form. But then it would be necessary to logically continue the concept to the fact that the reproduction of social relations in the two opposite world systems is realized merely as interconditioned reproduction and by no means reproduction propelled by the intrinsic laws for each system.

Yet those who reject our idea (as being too limited) concerning the fact that only secondary relations carried beyond the borders of capitalism and socialism can constitute a uniform system of worldwide economic intercourse and that such a combination cannot be composed of primary production relations--by virtue of their incompatibility--these "debators" are proving powerless to explain the interaction of the two systems.[25]

Ideological Aspect of the Worldwide Economy Dispute

It should absolutely not be permitted that the participants in this discussion lose sight of its ideological aspect. On the contrary, when, for example, the manifest insolvency of the assurances of the actuality of the physical-material concept elicits the disquiet of its supporters, the latter hasten to declare the political-economy interpretation of the worldwide economy confronting them "unsuitable" and alien. Not everyone rejects our concept in view of its "high intellectuality". Some people go further, believing that to prove the unacceptability of the opposed concept it is necessary to "subtly hint" at the alleged similarity of the views of their opponent and views which are alien to us.

An example: "The narrow definition of the worldwide economy as some system of international economic relations and the polemics in this connection return us to the debates of Soviet economists of the 1920's, to be more precise, to R. Luxemburg, who in her celebrated 'Introduction to Political Economy' also confined the world capitalist economy category within the framework of the 'mutual dependence on one another' of different states."[26] A number of serious objections may be raised on this point.

First, the exclusion from the definition of the worldwide economy of the mass of objects has made this category not narrow but truly scientific. For the social sciences--all, including political economy--always study this circle of relations or the other between people and the types and forms of their intercourse (across state borders included).

Second, the present discussion of the worldwide economy could in no way be and is not a return to the debate of the 1920's, although an invariability of the views on the subject of the dispute among a certain proportion of economists has been revealed.

To be more precise (and this is the third point), R. Luxemburg wrote her book before WWI. And her position as a whole was opposed to the viewpoint of the majority of "objectists" of the 1920's. But her mistake lay not in emphasizing the "mutual dependence" of states in the world economy but in glossing over the fundamental fact that, given incorporation in the single, intra-imperial reproduction process, the dependence of the colonies on the metropoles was fundamentally different and opposite to the latter's independence of the first in the international sphere.

A. Shapiro's position in respect of the worldwide economy is distinguished, it would seem to us, by incomprehensible unconcern. "It is given no one to 'remove' this objective category. Acts which are hostile toward us are powerless to do away with it also...," he writes.[27] But, first, inasmuch as the content of a political economy category is always objective, it is not the category but the contradiction arising from a comparison of categories which can be "removed" (and unfailingly with the assistance of intellectual effort). Second, it is not the category but the set of phenomena or relations reflected therein which can be "done away with".

Not spotting these collisions of the "real" and the "ideal" which he himself has constructed, A. Shapiro refutes N. Shmelev's proposition concerning the course of the U.S. Administration toward the disintegration of the worldwide economy: "No, such a threat does not loom over the worldwide economy."[28]

However, as is ascertained further on, he nonetheless sees a threat to the wordwide economy... in our interpretation. "It (the threat--E.P.) would exist if this economy amounted to a system of international exchanges of the results of economic activity, which was being undermined, and this is indeed the case, by the most aggressive forces of imperialism," A. Shapiro writes.[29]

The political-economy interpretation of the worldwide economy as active interaction--the competition of the two systems in the sphere of the economy and the comprehensive exchange of economic activity at all stages thereof (and not only the results of work)--mobilizes people for a constant struggle for a consolidation of business relations between the systems and for imparting a material, production and, primarily, cooperation foundation to the normalization of international relations as a whole. The opposite concept, however, of the "given nature" of the unity of the worldwide economy as a consequence of the reproduction processes accomplished in both social systems puts its hopes in laissez-faire. The political-economy concept calls for continuous and effective struggle against the increasing attacks and intrigues on the part of imperialism against the evolved mechanism of economic and scientific-technical cooperation between states of the two systems and against the attempts to reduce this complex to trade alone and then oust the socialist countries from the worldwide market altogether. Resisting the aggressive and discriminatory attacks of imperialist circles, the political-economy concept of the worldwide economy contains a mobilizing ideological charge. The other version of the worldwide

economy proceeds from the fact that it is indestructible in view of its being composed of many countries, and if anything does remain, it is to ascertain the existence of the given aggregate.

The political-economy position looks forward to an improvement of the conceptual apparatus--the instrument of cognition of an increasingly complex world and worldwide economy.

FOOTNOTES

1. V.I. Lenin, "Complete Works," vol 18, p 345.

2. See K. Marx and F. Engels, "Works," vol 29, pp 449, 468.

3. See ibid., vol 46, pt I, p 213.

4. It is understandable, for example, why approximately five times as much output circulates in the worldwide capitalist reproduction process annually as is sold via international, that is, import-export trade.

5. See K. Marx and F. Engels, "Works," vol 46, pt I, p 232.

6. See "System of International Exploitation," Moscow, 1975, p 4. This mentions how there is a change in the scientific meaning of terms from a change in the order of certain words. For this reason an adjective is placed next to a noun denoting its gender. Sometimes there is a change in meaning altogether from such a transposition. For example, "absolute surplus value" means a great deal, but "surplus absolute value" means, at best, nothing and, at worst, a rehash of Ricardian absolute and relative values.

7. MEMO No 3, 1985, p 96.

8. V.I. Lenin, "Complete Works," vol 27, p 303.

9. See MEMO No 3, 1985, pp 102, 91.

10. Ibid., p 92.

11. It is even more invalid ignoring the very division of production relations into domestic and international and even... deducing the first from the second, as is done, from our viewpoint, in V. Slavinskiy's article. For example, the most profound economic basis of imperialism--the capitalist monopoly--is deduced from the factor of universality, from international economic relations (see VOPROSY EKONOMIKI No 4, 1985, pp 64, 65, 67).

12. It is fitting to recall that the very category of production forces also signifies nothing other than the social relationship, to be precise, the active relationship of society to nature. Among the forms of manifestation of these relationships a significant place is occupied by material-object attributes of the production forces (buildings, machines and equipment of enterprises and laboratories, stocks of extracted raw material and fuel and

so forth). However, this does not provide grounds for reducing the entire system of production forces merely to their object form.

13. V.I. Lenin, "Complete Works," vol 44, pp 304-305.

14. MEMO No 8, 1984, p 76.

15. Ibid. A. Shapiro also associates himself with this pronouncement: "It could not have been put better, and we can only associate ourselves with these propositions, having referred the readers to them" (MEMO No 3, 1985, p 94). But on literally the next page of his article he nonetheless resolved to put it better: "However, one glance at the outline of the worldwide economy which he (that is, E. Pletnev--E.P.) has sketched is sufficient to persuade oneself that it hangs in free space somewhere... between 'spheres of action of the economic laws' of capitalism and socialism and between the two forms of ownership." However, the outlines adduced in our books show how the two opposed systems of international economic intercourse are linked in a single metasystem. Seeing the lines of communication as "hanging" means reducing the meaning of what is portrayed to the techniques of the portrayal. We even now believe that it is precisely this intersystem connection which constitutes the very metasystem of the worldwide economy as the interaction and mutual struggle between the two forms of ownership and both types of basis.

16. A. Sartorius von Waltershausen, "Das Volkswirtschaftliche System der Kapitalanlage im Auslande," Berlin, 1907, p 1.

17. See A. Sartorius von Waltershausen, "Die Weltwirtschaft und die staatlich geordneten Verkehrswirtschaften," Leipzig, 1926, p 11.

18. "The Two Systems of the World Economy: Antagonistic Unity," Moscow, 1983, p 3.

19. MEMO No 8, 1984, p 76.

20. See "The Two Systems of the World Economy..., p 10.

21. For the need to incorporate in the analysis the mechanism of the very transfer of economic relations abroad see "System of International Exploitation," Moscow, 1975, p 188.

22. Incidentally, upon an analysis of the essence of the export of capital it is by no means obligatory, having ascertained the existence of capital surpluses, to embark on a study of "overaccumulation," its cycles and so forth. But this should not serve as grounds for charging the researcher of foreign investments of the separation of and disregard for domestic production, crises and cycles, the nature of the monopolies, superprofits and so forth. Upon the transition from one social teaching (theory) to another in political-economy research what has been covered is not repeated, and one moves forward, not expecting to be accused of a separation from what was said earlier.

23. MIROVOYE KHOZYAYSTVO I MIROVAYA POLITIKA No 8, 1927, pp 41, 41-42.

24. See ibid. No 5, 1929, p 53.

25. "As if the world may be split into types of intercourse!" A. Shapiro exclaims in perplexity (MEMO No 3, 1985, p 95). The division of the world into two types of intercourse is the result of its division into two types of ownership. The first (division into types of secondary relations) is derived from the second (division of primary relations). This is a truism if by world is understood the globe, the absence of war, the human race.

26. MEMO No 3, 1985, p 102.

27. Ibid., p 97.

28. Ibid.

29. Ibid.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

SOCIAL-ECONOMIC CONTRADICTIONS IN FRANCE DISCUSSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 114-122

[A. Kudryavtsev report: "Exacerbation of Socioeconomic Contradictions in France"]

[Text] For the past 2 years the French economy has been functioning under conditions of strict austerity. In terms of its goals and methods it represents a variety of the conservative economic policy which is being pursued in the main capitalist countries. As it was discovered that the "belt-tightening" was not a temporary phenomenon all the basic aspects of economic strategy were adjusted in accordance with the changes in the priorities of market regulation. The experiment begun by the forces of the left in 1981, which attempted to gropingly find ways out of the crisis, was a failure. Economic policy has come to be based on the principles of so-called "crisis management" in the interests of the employers and at the expense of broad strata of the working people.

The vote-face in the economic sphere has had far-reaching political consequences. In the summer of 1984 the French Communist Party [PCF] adopted the decision not to participate in the new L. Fabius government. The communists and the CGT, which holds to consistently class positions, headed the actions of forces opposed to the current principles of economic policy. On the other hand, there were people in the ranks of the rightwing opposition who were not averse to extolling the socialist leadership for "consistency" in its actions.[1]

On the threshold of the parliamentary elections, which are to be held in the spring of 1986, economic problems are acquiring particular political seriousness. Yet the "belt-tightening" has already led to an intensification of social contradictions.

Seriously and For a Long Time

By way of imposing conditions of strict austerity the government attempted to level out the balances of trade and payments and halt the avalanche-like expansion of the foreign debt, which was threatening France's political and economic independence. Together with this it was contemplated changing the proportions of distribution of newly created value in favor of profits in order to stimulate capital accumulation.

The methods of deflationary regulation which were test-run in practice produced merely the results which were contained in them initially. However, attempting to portray events in the most favorable light for themselves, official commentators are trying to represent matters such that distinct signs of economic "recovery" are at hand. The thought is being impressed on public opinion persistently: if the socialists have not found a way out of the long period of economic difficulties, they are "managing the crisis" in no way worse than the right and are sometimes acting more boldly and decisively even.

A certain slowing of the inflationary processes is being served up as a major victory. It is significant that the present leadership is putting down to its credit the ability to strictly control incomes and, primarily, the achievement of "de-indexation," that is, a departure from the more or less automatic review of the nominal wage in accordance with price increases. Bourgeois governments also made attempts in the past on this important gain of the working class, but were unable to carry it all the way through for fear of inflaming the social atmosphere. On this occasion, paying no heed to the discontent, the administration of the nationalized sector refused to conclude an agreement with the unions providing for compensation for civil servants for losses in real earnings.

The employers took advantage of the authorities' irreconcilable position for pressure on the working people at the time collective agreements were being concluded in the private sector. The changes in the mechanism of the formation of monetary income ensured by the joint efforts of the government and the employers combined with a certain reduction in the rate of inflation contributed to somewhat of a slowing in the rise in the cost of living and a reduction in the balance of trade deficit (from Fr93 billion in 1982 to roughly Fr20 billion in 1984).

At the same time there are no grounds for speaking of the "recovery" of the national economy. First, disregarding the decline in the development rate and the swelling of unemployment is unwarranted. The complete liquidation of the deficit balance of payments presupposes, according to specialists' estimates, a squeeze on domestic demand, which could increase unemployment 5-6 percent. The social costs of the "belt-tightening" policy have assumed colossal proportions.

Second, the results have been achieved thanks to the mobilization of surface resources and for this reason are extremely unstable. The reduction in the foreign trade deficit is a consequence not of some unprecedented surge of competitiveness but a combination of lower economic growth rates than its partners (which has curbed imports) and a recovery of world capitalist trade.

The proceeds from foreign trade transactions have risen temporarily, but competitiveness is, as before, declining, to which the continuing narrowing of the share of the world market for French exporters testifies. Proceeding from the less favorable external conditions of development, the National Institute of Statistics and Economic Research is warning of a possible halt to the restoration of the balance in France's international payments.[2]

Third, there has been an exacerbation of the contradictions of reproduction reminiscent of those in whose vicious circle all preceding stabilization programs revolved. The economies in variable capital at the expense of the wages of those in work (a decline in the population's real income of unusual depth and duration for France was observed in 1983-1984) and the "freeing" of firms from manpower surpluses moved sharply upward all indicators characterizing the enterprises' financial situation. The proportion of companies' profits in the cost of their product rose to the highest levels in recent decades. However, according to preliminary data, the capital investments of the enterprises (excluding construction) in 1984 declined almost 3 percent.

In a situation of slack demand the improvement in financial indicators combined with a record level of enterprise bankruptcies, the number of which in 1984 constituted 25,000, having increased 10 percent over the preceding year. In the absence of stable prospects of market expansion the bulk (85 percent) of employers does not intend increasing investments in production. They prefer to use the profits for portfolio investments or to pay off debt.

Reality has finally dispelled the hopes that it would be possible to rapidly cross the painful stage of the strict austerity conditions. First of all, progress toward the charted boundaries in all spheres is being made considerably more slowly than contemplated. The actual rate of increase in consumer prices is constantly above the reference points established by the government: 9.7 percent compared with 8 percent in 1983, 6.7 percent compared with 5 percent in 1984. The majority of forecasts envisages a reduction in the discrepancy between these indicators in 1985 also. The deficit in the balance of trade is being done away with not at all as quickly, yet it was assumed that it would have been done away with by mid-1984.

There is one further circumstance narrowing the government's potential for maneuver--the burden of the foreign debt, which, according to official data, is approaching Fr550 billion. According to the estimates of banking circles, the amount of the liquidations and foreign loan interest payments in the next few years could be Fr120-150 billion, that is, 10-13 percent of the value of exports compared with 3 percent in 1980.[3] For this reason the government has opted for a path whereby credit due for payment is not so much paid off as replaced by new, more costly credit. As a result France's dependence on the international capital loan market, including American banks, is not abating, which, of course, is being reflected in the shaping of the country's economic policy.

Clearly understanding the unpopularity of its policy, the government is endeavoring to touch it up somewhat. A decision has been made to liberalize the terms of the granting of credit for housing construction. A particular place is assigned the extensively publicized reduction in the 1985 budget of compulsory withholdings (taxes and social insurance contributions) so that their proportion of the gross domestic product decline 1 point. In 1986 it is contemplated reducing direct taxation 3 percent compared with 1985.[4]

But one thing or the other. Either, as the newspapers write, an "election mini-upturn" is being secretly prepared. Then the additional increase in the budget deficit to 4.5-5 percent would bring about an expansion of domestic demand. According to available estimates, it could not halt the growth of

unemployment, on the other hand, it would be ineluctably followed by a return to a large deficit in the balance of trade--over Fr 30 billion in 1986.[5]

Or, as is officially declared, the budget deficit will be maintained at the previous level--3 percent of the gross domestic product. This was how it was put in the finance act for 1985, when the reduction in direct taxation was compensated for by a ruthless cut in spending and an increased norm of indirect taxation. Such redistributive operations increase socioeconomic inequality, and their effect is close to zero. The calculations are simply connected with the fact that the voter will prove psychologically more sensitive to a visible reduction in taxes than to the increase in concealed withholdings. It is being attempted in passing to knock the arguments out of the hands of the rightwing opposition, whose program provides for a tax cut. In this case the present tax indulgences are, as LE MONDE observes, nothing more than "election acts".[6]

In the long term the practice of strict austerity is condemning France to slower economic growth than on average for the EEC. It is not fortuitous that the government entrusted specialists with finding an alternative which would allow the country to develop at a rate faster than the Common Market partners by the end of the 1980's. The experts see the way out in an acceleration of the growth of industrial investment (to an annual 4 percent) providing for an increase in the efficiency of fixed capital and labor productivity. A rapid (of an annual 4 percent also) increase in exports is possible on this basis, which is essential for building up currency reserves and paying off the foreign debt. In connection with the fact that national supply could only cater for half of the expansion of investment demand it is necessary, government experts believe, to continue to hold down personal consumption, otherwise a strained situation would arise in the sphere of international payments.

It has to be seen that behind literally every figure of this version stands a difficult problem. Let us take capital investments, an acceleration of which represents the material basis of the modernization of industry. It is undoubtedly long overdue. France is today paying for a decade of slack investment with the aging of fixed capital, which is compared by the OECD to a "demographic pyramid in which a generation of children is missing."[7] In turn, this predetermines the presence of the so-called "external restriction" which the attempts to revive the national economy are encountering. Capital investment is also vitally necessary owing to the acute jobs' shortage. Currently even the full load of available production capacity is not in a position to ensure an appreciable reduction in unemployment.

However, the "belt-tightening" policy is not creating a background conducive to a steady growth of investment. Bourgeois and social democratic disciples of stabilization programs usually paint them as a two-stage process. At the first the increase in the indicators of economic efficiency is attended by a reduction in industrial potential: labor productivity increases predominantly thanks to reduced employment, and profitability as a consequence of the elimination of obsolete capacity and redistribution of the national income in favor of profit. The first, "destructive," stage prepares the ground for the subsequent, "creative," stage, when the increase in efficiency is based on the qualitative improvement of production factors. However, in curbing demand to put pressure on the working people's income and expand the financial base of

capital investments the practice of strict austerity is undermining a reason determining the intensiveness of the investment process--the conditions for the sale of the end product.

Current among some French economists is the viewpoint that given the huge scale of the "deferred" replacement of industrial fixed capital and the growing pressure from competitors, capital investments could be revived regardless of the state of the sales market. This idea is to some extent based on the relative independence in the movement of the first and second subdivisions of social production which objectively exists. The entire question consists of the potential stability of the "autonomous upsurge of investments".

Having examined the behavior of investors in many capitalist countries, the authors of a substantial study of the state and prospects of the world economy did not reach an unequivocal conclusion. "It is essential to increase profits and improve the financial position of enterprises in Europe," they observe. "The question of whether this will in itself engender the positive dynamics of capital investments and economic growth remains open."[8] Meanwhile it is widely known that in the recent past the practice of strict austerity has resulted in disproportions between an overaccumulation of monetary capital and inadequate real capital formation. As a result the "destructive" stage has dragged on, and national industrial potential has been caused irreparable harm. As an example of such "successful" deflationary policy the authors of the study cite the economic results of "Thatcherism" in Britain.[9]

Opposing the policy of strict austerity, the PCF is not only consistently defending the direct interests of the working people but struggling against a prospect of a weakening of national industry. Conservative and social democratic variants of "belt-tightening" attempt to curb the trend toward a lowering of the profit norm thanks to a redistribution of national income in favor of capital and an increased norm of exploitation.

The communists propose moving beyond the framework of the private-monopoly logic of capital accumulation and changing the principles of control of the decisive components of the economy in order that the extraction of profit cease to be a factor limiting productive expenditure and, consequently, an increase in social production efficiency. For the progressive forces the struggle for the working people's living standard is inseparable from actions designed to secure for the working class real opportunities for influencing the course of production, investments and employment based on new criteria of an evaluation of enterprise activity.[10]

One Step Forward, Two Steps Back

Having proclaimed a policy of renewal of the technical base of all the main sectors of industry, the government of forces of the left hoped with the aid of economic growth and the changed economic mechanism to mobilize the necessary resources. However, industrial policy has largely departed from the principles which had been formulated earlier; a reverse movement toward the line to which the ruling circles in the 1970's adhered has been discerned.

The first casualties of the structural regulation being brought into line with general economic regulation were the traditional heavy industry sectors--coal,

steel, and shipbuilding. Production programs were cut back and a large reduction in personnel was outlined here. Ferrous metallurgy capacity will have been cut to 18 million tons by 1986 instead of the contemplated 24 million tons, and the number of workers released will be over 20,000. The energy program adopted in 1981 intended by the end of the current decade to have kept coal production at the level of 30 million tons; it is now contemplated reducing it to 11-12 million tons. To judge by everything, the winding down of coal production is merely part of a vast plan for the actual liquidation of national extractive industry.

A similar path has been chosen in sectors whose difficulties have been caused by loss of competitiveness. The situation in auto production, where the biggest firms--the nationalized Renault and the private Peugeot--are incurring considerable losses, is indicative. The unhappy state of the sector cannot be explained merely by the cyclical downturn in demand. The French auto industry has retreated from the positions which it had won owing to inadequate labor productivity growth, increased financial costs and the slow replacement of models. A report prepared on the government's orders sees the way out in the automation of production and a reduction in the number of those employed of more than 70,000 men.[11] The first step in implementation of such a strategy was taken by the Peugeot company, which announced mass layoffs. It would now appear to be Renault's turn.

The PCF and the CGT have called this "structural reorganization" short-sighted and have counterposed to it their action program. In auto manufacture the system of measures proposed by the PCF includes maintaining demand for automobiles by way of a reduction in indirect taxes, adaptation of the model range to market requirements, an improvement in qualifications, an improvement in work conditions and, finally, firms' diversification in the production of equipment.

In ferrous metallurgy, according to the calculations of progressive economists, quite large production capacity may be maintained (of the order of 21 million tons) on condition that this sector succeed in interaction with engineering in winning from competitors part of the national market (10 percent in the next 3 years).[12] If this is not done, following the lifting of the national production quotas in 1987 which is envisaged by the EEC, the French metal market runs the risk of being inundated with foreign products.

It is not fortuitous that the progressive forces are emphasizing a strengthening of the engineering base. In the era when the time for the mass replacement of fixed capital is ripe, the capacity for independently satisfying requirements for modern means of production also determines the rate of modernization of all industry and the degree of economic independence. It is entirely logical that one of the first industrial initiatives of the government of the left in 1981 was the plan for an upsurge of machine-tool manufacture, which was supplemented in 1983 by a program for the production of automated systems and robotics.

Currently the business press is coming to the conclusion that the authorities have manifestly shrunk from the difficulties which machine-tool manufacture is encountering. The fact that by 1985 the task for a doubling of production will not have been accomplished may still be explained by the decline in domestic

demand for machinery and equipment. But preservation of the import dependence at the previous level of two-thirds instead of the contemplated halving thereof testifies to the lack of qualitative progress in the sector. The failure of the machine-tool manufacturing program is explained by the fact that despite the organizational restructuring and large government subsidies, the private firms have continued to eliminate jobs, adhere to narrow specialization and economize on R&D.

The behavior of state enterprises also has frequently run counter to the interests of the development of national engineering. When the leading manufacturer of machine tools, (Erno-Somyua), which is a part of the Schneider finance group, found itself on the verge of bankruptcy, the Suez Bank, the Compagnie generale d'electricite firm and Renault--all three belonged to the nationalized sector and were active characters of the sectorial plan--refused to come to its assistance. It ended with half of (Erno-Somyua's) capital passing to the Japanese Toyota.

There were big repercussions in the country and outside from the bankruptcy of the Creusot-Loire company (also of the Schneider group). The government was unable to effectively resist the strategy of the private shareholders, who resolved to free their capital from the unprofitable investment sphere. The assets of Creusot-Loire, which was rightly considered the pride of national basic engineering, came under the hammer, and French industry was deprived of a component essential for full-fledged development.

Far from all expectations have been justified by the program for the development of electronics (1982), which was presented as a most important industrial project. It provided for the investment in 5 years of Fr140 billion and the creation of 80,000 jobs.[13] The sector's successes have made it possible to speed up its rate of growth to 8 percent compared with 3 percent. But even the pronounced increase in pace has proven insufficient for stopping the expansion of the American and Japanese monopolies, which have continued to put the squeeze on French, as, incidentally, all West European, electronics. Some of the difficulties are of an objective nature: a lag developed in the preceding decade here also, the rapid change in the technology and product of the sector and French companies' inadequate level of production.[14]

At the same time the departure from the original development program has exerted a negative influence on the sector. Primarily it has not received all the contemplated resources: whereas in 1983 some 82 percent of capital investments were financed from state sources, the figure is 68 percent in 1985. For this reason it has been necessary to also abandon the support of an entire complex of interconnected subsectors forming modern electronics.

The program for the accelerated buildup of national scientific-technical potential has been underfulfilled. In recent years spending on R&D has grown almost twice as slowly as expected, and in 1985 its share of the gross domestic product is to constitute 2.2 compared with the outlined 2.5 percent. Endeavoring to liquidate losses as quickly as possible, the management of many companies is reducing spending on "too costly" scientific developments. Whence the need to use foreign technology, which, while raising the level of national production, entails an expansion of commodity imports.

From the sectorial mosaic a general picture of structural reorganization is taking shape which is officially being passed off as a new word, but which essentially contains many of the defects of the industrial strategy of the 1970's. It was convincingly proven quite recently that it is impossible to confine oneself merely to stimulation of the newest sectors. It is essential to maintain a diversified structure of industry insofar as the traditional production processes represent a sphere of application of modern technology. It has been recommended forming ramified poles of growth at the subsectorial level.

Currently modernization amounts to the liquidation of production capacity; there is a return to the narrow international specialization of different components of industry. Yet the specialists themselves have rightly criticized such modernization for the fact that it has contributed to the slackness of the investment process and limited the positive impact of exports on the development of the national economy.

The proposition concerning conquest of the domestic market has finally been removed from the agenda by the government since it "failed to take account of the restrictions ensuing from France's strong integration in the world economy."[15] A gamble is being made on a spurring of exports given their simultaneous orientation toward the developed capitalist countries, primarily the United States. Calculations are linked with the fact that, according to forecasts, in the latter half of the 1980's the exchange of high-technology equipment will be the most dynamic sector of international trade.[16]

But, after all, the experience of the 1970's has shown graphically that the idea of "all for exports" had as its reverse side the accelerated penetration of the national market by foreign products, which was a heavy burden on the balance of payments. The export of capital, which was justified by the need to create springboards for the export of commodities, diverted resources from productive investments within the country. The overseas investment of private and nationalized companies which continues today even has little in common with the uniform "strategy aimed at strengthening the competitiveness of industry"[17] and in a number of cases suggests a parallel with the usurial traditions of French finance capital.

A basic reason for the departure from the originally outlined industrial policy was that the reforms of the management structures which were started were having an extremely inadequate effect on the economic mechanism. Prior to their assumption of office Socialist Party experts liked to refer to the experience of Japanese microelectronics, which before turning into a world leader had for a number of years been unprofitable. So-called "offensive deficits" were recognized as an essential element of the new "supply-side policy". The former arose as a result of the sharp increase in investments and scientific research outlays and the increased qualifications of the work force. Thus were nationalization and planning, whose task was to be more reliable levers of the breakup of sectorial proportions than the transfer of capital, substantiated.

Yet initially the budget subsidies for the nationalized sector were able to cover only the losses connected basically with current production activity. Thus the sector's deficit should rather have been called "defensive". The nationalized companies were then set the task of liquidating the financial imbalance as

quickly as possible, and long-term solutions were frequently sacrificed, furthermore. At both the first and second stages the nationalized enterprises were not distinguished from the private monopoly enterprises in terms of the criteria of activity.

Then the government embarked on strengthening the previous forms of regulating the migration of capital. "Supply-side policy" is increasingly incorporating a variety of "deregulation," by means of which it is intended restoring to the economy its lost flexibility. In this case the actions of the administration directly serve the interests of the employers since the propagation of flexibility has been the core of their socioeconomic strategy since the mid-1970's. The lowering of taxes, narrowing of the practice of price control and the imparting of "elasticity" to the movement of monetary income have been implemented in their interests. Liberal and social democratic theorists are openly raising the question of elimination of the legislatively established minimum wage and even of reform of the system of social insurance, which has allegedly become too unwieldy.

Under the slogan of the increased flexibility of employment the employers carried out a frontal attack on the socioeconomic rights and status of wage workers. Speculating on the difficulties and class-collaboration standpoints of the leadership of a number of unions, they succeeded in imposing negotiations on a virtual dismantling of almost one-third of the labor code. Business circles sought opportunities via collective bargaining to circumvent legislation governing the work week and the mandatory creation at enterprises (in accordance with the prescribed employment threshold being reached) of bodies representing the working people. Realization of the main demands of the employers union--alleviation of the discharge procedure and the possibility of hiring on temporary contracts, part-time work and so forth--would transfer to the employers additional powerful levers of pressure on the working class and the imposition thereon of "forced mobility".

The protocol which had been coordinated by the end of 1984 was, in the definition of the CGT, which had from the very outset refused to take part in the negotiations, an act of surrender to the employers' demands and the most perceptible blow since the war to the gains in the persistent struggle for collective guarantees for the working people. Individual provisions of the protocol signified a retreat from that which was progressive which had been inserted in social legislation at the first stage of the activity of the government of the forces of the left in 1981-1982. Ordinary union members refused to support their leaders and approve the agreement with the employers. The struggle continues.

The evolution of the socialists' industrial strategy is encountering justified criticism. Fears are being expressed that the result of this version of structural reorganization could be France's consolidation in subordinate and shaky positions in the international capitalist division of labor. The forcible implantation of mobility of the work force is in contradiction with the fundamental demands of the current stage of the scientific-technical revolution. In fact, it is difficult to combine improved qualifications with the growth of unemployment and the increased instability of employment with the responsibility and interest of the personnel.

Defeat in the 'Battle for Employment'

In the past the promise to reduce unemployment has rendered the socialists considerable electoral support. At the start of the activity of the government of the left it was possible, thanks to measures which came to be called the "social control" of unemployment, to keep the number of those seeking work to the 2 million level for a year. However, the forces brought to life by the decline in the growth rate, capitalist streamlining and structural reorganization soon broke through the protective barrier which had been erected only with difficulty. From November 1983 through January 1985 the numbers of officially registered unemployed increased by 400,000 and reached 2.4 million or over 10 percent of the able-bodied population.[18]

The dramatic gulf between reality on the one hand and election promises and the expectations and hopes which were formed on the basis of the latter on the other has been revealed particularly visibly in the employment sphere. The level of unemployment in the first half of the present year and for the 7 years of the past presidency has increased at the same rate--0.8 of a point a year on average.

As of the mid-1970's mass unemployment has assumed tremendous proportions and an all-embracing nature. While affecting the most diverse categories, it is hitting skilled workers aged 25 to 50 particularly badly. The proportion of skilled workers in the total mass of unemployed has risen to 25 percent compared with the 20 percent of a few year ago.

The constant growth of the average duration of unemployment (12.8 months for men and 16.1 months for women in 1984) is imparting to it an increasingly long-term immobile nature. The problem of finding jobs for the young people remains extremely serious. The level of unemployment in the 16-25 age group (21.1 percent in 1983) is twice the national level and could in 1985, according to OECD forecasts, reach 30 percent.[19] This is one of the highest indicators among the developed capitalist countries.

The increase in unemployment is not only a logical result but to a certain extent also a condition of the success of the strict austerity policy. Mass unemployment contributes to the growth of competition in the manpower market and makes the conditions of the proletariat's economic struggle worse. There is an increased inclination among the employed to occupy defensive positions and to agree to concessions owing to the fear of losing their jobs and finding themselves on the street. Such sentiments are being used not without success by the employers for putting pressure on the working class and undermining the unions' capacity for counteracting the offensive against the working people's living standard. It is difficult to overestimate the influence of the "unemployment press" on the decline in the population's real income in the past 2 years and the reduction in the number of strikes and their duration.[20]

Unemployment is also being reflected negatively in the living standard and quality of life of broad strata of the working people and contributing to ensuring that the crisis of bourgeois society assume a global nature. The job-seeking Frenchman may claim, depending on his length of service, age and

so forth, either benefits from the insurance fund formed from deductions from the employers and working people or assistance financed from the budget. However, the system, which took shape in a period of relatively prosperous development, has proven manifestly unadapted to mass unemployment. The government has attempted to overcome the financial complications which have arisen by way of a reduction in the amounts and terms of the payment of benefits (in the winter of 1984 on the last occasion), that is, a lowering of the level of compensation at the time of the loss of earned income.

Unemployment insurance is increasingly less capable of averting a palpable deterioration in the material position of the "superfluous people". At the end of 1984 the average per capita monthly payments among those receiving unemployment benefits (1.6 million) was not more than 70 percent of the guaranteed minimum wage. The income of 35 percent of persons of the said group, however (550,000) was less than one-third of the minimum wage. The amount of the benefits for the main categories of unemployed here declined 5-13 percent in the year.

As a survey of family budgets of the unemployed conducted by the National Institute of Statistics and Economic Research showed, expenditure of savings which had been put by earlier is not protecting them against a narrowing of satisfied requirements.[21] The first reaction of those who have lost their jobs is usually to stop spending on cultural entertainment, recreation and education and then on clothing, transport and food. Then it is the turn of rent and utility bills.

In 1982 the authorities attempted legislatively to increase somewhat the guarantees of tenants left without work. The owners immediately responded with the tightening of the leasing conditions and sometimes by simply withdrawing apartments from the market. This sharply increased the difficulty of access to housing for people if only suspected of financial instability. Recently in French cities there has been a growing number of those who have been forcibly evicted from their apartments by the court for nonpayment of the rent and also of citizens "of no fixed abode" or simply the homeless.

The growth in the number of persons who have been looking for work unsuccessfully for a long time and the reduction in the average length of time for which benefits are paid have led to an increase in the proportion of the "superfluous" population which has lost the right to any assistance. In 1984 its numbers were estimated at 1.2 million, which constitutes almost one-half of the registered unemployed. It is they who primarily constitute the social group which the French press found for itself not so long ago--the "new poor".[22]

As distinct from a bigger group of the population (12 percent or over 5 million persons) attributed by statistics to the poor on the grounds that their income is below the minimum living wage, the "new poor" (1-2 million) have no permanent means of subsistence at all. The substitute for them are occasional earnings or handouts from charitable foundations. They are also distinguished from the traditional declasse elements like hobos--the clochards. Today among those who have sunk to the social bottom are young men who have received an education and the elderly skilled worker and employee. The main reason which has brought

them right next to or forced them over the brink of poverty is unemployment. Specialists fear that its further spread threatens the steady pauperization of part of the French population.[23]

Unemployment is also attended by serious socioeconomic consequences. Those without work experience extremely painfully forced isolation and the severance of customary social connections. The alternation of stress conditions caused by constant concern for the future and periods of depression fed by a sense of hopelessness and one's own worthlessness--such are typical symptoms of the "unemployment syndrome". It has been calculated, for example, that the growth in the past 5 years of the army of "superfluous people" of 1 million has meant an increase in the number of deaths owing to heart disease (by 167,000) and psychiatric clinic patients (by 67,000).[24]

The socio-psychological costs of unemployment affect, according to polls, in this form or the other 37 percent of families[25] and go far beyond the framework of the "superfluous" population proper. Demographers have called attention to the decline in the number of marriages given a simultaneous increase in the number of divorces, the proportion of which in the sum total of married couples has currently risen to one-fourth-one-third compared with one-tenth at the start of the 1970's. Even if the trend toward the erosion of traditional family ties only stabilizes, France could become a "society of singles". In the not-too-distant future the proportion of bachelors in the population of marital age will constitute 35 percent (now 8 percent). Specialists cite as being among the reasons for such phenomena, besides the liberalization of morals and legislation and the greater enlistment of women in production activity, the instability of material and social position and fear for the future connected with unemployment.[26]

The consequences of unemployment are particularly devastating for the youth. Citing the lack of professional training, employers prefer to hire young people for temporary work which does not require high skills. Upon the expiry of the term of the contract, the young men and women again merge into the army of "superfluous people". The constant alternation of unskilled work and time spent "in a state of unemployment" locks the youth in a vicious circle and deprives it of prospects of professional growth. Modern youth is being written about increasingly frequently as a "lost generation" over which looms the threat of it entering the 21st century without proper specialized training and, what is most important, without firm labor habits.[27]

The economic destabilization, multiplied by the lack of conditioning in life and political maturity, is leading to all the socio-psychological ailments of contemporary capitalism taking their course particularly acutely in the youth environment. Feelings of loneliness and despair are driving an increasingly large number of young people to the extreme step. In 1983 some 12,000 people committed suicide (9,000 in 1977), while a further 120,000-150,000 attempted suicide. The proportion of suicides among persons 25 and under (10 percent) is five times higher than the average level for the whole population (1.9 percent).

Similar factors are prompting the youth to turn to drugs in order to forget themselves and escape cruel reality. The proportion of persons without definite occupations is particularly high among drug addicts, and young people aged 16-25 constitute four-fifths of them.

Or take crime, the growth of which from 2.3 million recorded offenses in 1979 to 3.6 million in 1983 is officially called "a threat to the social equilibrium of all French society."[28] Petty crime, which is evoking in the public fear and apprehensions of being attacked on the street and in public places, has become particularly widespread. Acts of hooliganism and petty offenses are most often committed by young people.

It has to be said that unemployment did not become socioeconomic problem No 1 either today or yesterday. But in people's minds the rising wave of unemployment is rightly and firmly connected with the "belt-tightening" policy. Furthermore, to judge by everything, France has not reached the crest of the wave since the OECD is forecasting for the first 6 months of 1986, that is, for the time of the parliamentary elections, a rise in the level of unemployment to 11.5 percent.[29] Whence the attempts by way of the specific regulation of supply and demand on the manpower market to achieve a "break in the unemployment curve".

Currently the old sectors, where the number of discharges is increasing constantly, are practicing the transfer of persons aged 55-59 to prepension status, after which they leave the ranks of the active population. Professional instruction and training courses, at which 300,000 persons are to have been trained by the end of 1985, are being organized for young people aged 16-25. As of the fall of 1984 the municipalities, public organizations and then social security establishments were granted the right to hire for a period of 6-12 months unemployed young people 21 and under for socially useful work: looking after the elderly, tree trimming, nature-conservation measures and so forth.[30] For each person employed for 20 hours a week in such work (it is intended increasing their number to 200,000 by the end of 1985) the state is obliged to pay the equivalent of the minimum unemployment benefit.

But, on the other hand, the reduction in work time has disappeared from the arsenal of levers of influence of the labor market. In the first year of the present government's term in office it advanced the task of reducing the length of the work week to 35 hours by 1985. But subsequently its approach to this problem changed, and now the administration is encouraging those employed in part-time work. The forms of the notorious "flexibility" of the work force which have been rejected by the organizations of working people are hereby being dragged in through the back door. On the other hand, it is being impressed upon the unions that in the crisis situation it is pointless attempting to conduct a struggle on all fronts. They should learn to forgo the working people's income, as they do in the United States and Japan, in the name of preservation of greater employment.

It is not difficult to discern that the enumerated measures do not touch on the deep-lying causes of the employment crisis but merely attempt to temporarily soften individual consequences thereof. They tackle the task purely

statistically--curbing the growth in the numbers of "superfluous people" by artificially narrowing the flow of persons being ejected onto the labor market. The new version of the "social control" of unemployment does not provide a firm and long-term solution to the employment problem.

Yet the forecasts point with rare unanimity to the fact that the further development of the French economy in an atmosphere of strict austerity will lead to a growth in unemployment, the possible dimensions of which at the end of the 1980's are put at 3-3.5 million persons.[31] No "social control" of the army of "superfluous people" of such big proportions is capable of protecting France against the risk of becoming a "dual society".[32] This term denotes society's stable division into two groups. The first is composed of skilled workers of the modern dynamic sectors with a comparatively high level of income and relative stability of employment. The second of "second-grade" citizens who are characterized by a long time spent in a state of unemployment, social disintegration and so forth. Such a stratification of society is fraught with the danger of a further increase in internal contradictions and conflicts capable of undermining its stability.

The PCF counterposes to the government's economic policy an alternative strategy which makes the cornerstone effective and stable employment.[33] It presupposes an expansion of investments in education, an improvement in qualifications and constant retraining of labor resources linked with a reduction in work time.

FOOTNOTES

1. See L'HUMANITE, 27 February 1985.

2. "Situation et perspectives de l'economie francaise" (TENDANCES DE LA CONJONCTURE, December 1984, p 34).

3. BANQUE DE L'UNION EUROPEENE. CHIFFRES ET COMMENTAIRES No 34, 1984, p 2.

4. L'HUMANITE, 29 January 1985.

5. LE FIGARO, 14 February 1985.

6. LE MONDE, 14 September 1984.

7. See LE MONDE, 9 August 1984.

8. "Economie mondiale 1980-1990: la fracture?" Report du Centre d'etudes prospectives et d'information internationales, Paris ECONOMICA, 1984, p 122.

9. Ibid., p 126.

10. See P. Herzog, "L'Economie nouvelle a bras-le-corps," Paris, "Editions sociales," 1984.

11. LE MATIN, 21 October 1984.

12. ECONOMIE ET POLITIQUE, May 1984, pp 9, 12.

13. LE FIGARO, 22 February 1984.

14. The French Thomson accounts for 0.7 percent of world IC production, but the American Texas Instruments for 11 percent. In information science the share of the French (Byull') (1.8 percent) is far less than the American IBM (38 percent).

15. See LE MONDE, 25 December 1984 (article by E. Cresson, minister of foreign trade and industrial redeployment).

16. PARIBAS-CONJONCTURE, December 1984, pp 185-186.

17. LE MONDE, 25 December 1984.

18. BULLETIN MENSUEL DE STATISTIQUE, November 1984, p 9; March 1985, p 9; PREMIERS RESULTATS No 30, p 2.

19. FUTURIBLES, January-February 1985, pp 35, 32.

20. The average annual number of strike days constituted 5.89 million in 1974-1976, 3.24 million in 1978-1980 and 1.73 million in 1982-1984.

21. G. Fourvier, M. Glaude, E. Reynaud, "Familles ouvrieres et chomage: des budjets difficilement compressibles" (ECONOMIE ET STATISTIQUE, October 1984, pp 37-52).

22. LE POINT, 10 December 1984, p 175.

23. A.-M. Chartier-Esteve, "Le pauperisme a nouveau d'actualite" (ECONOMIE ET HUMANISME, November-December 1984).

24. L'HUMANITE, 16 February 1985.

25. LE MONDE, 6 March 1985.

26. L'HUMANITE, 1 February 1985.

27. O. Benoit-Guilbot, "Acteurs sociaux, politiques de l'emploi et structure du chomage" (FUTURIBLES, January-February 1985, pp 30-36).

28. LE POINT, 19 February 1984, p 63.

29. See LE FIGARO, 2 January 1985.

30. "Note de conjoncture de L'INSEE" (Supplement a TENDANCES DE LA CONJONCTURE), February 1985, p 62.

31. See ARCHIVES ET DOCUMENTS DE L'INSEE, September 1984, pp 59-67; FUTURIBLES, January-February 1985, pp 43-48; LE NOUVEL ECONOMISTE, 19 March 1984, p 7.

32. See "La societe francaise et la technologie," Paris, "La Documentation francaise," 1980: LE POINT, 30 March 1980, pp 58-63; M. Levi, "Les politiques d'emploi de la gauche: bilan et enseignements de trois annees d'experience" (CRITIQUES DE L'ECONOMIE POLITIQUE, September 1984, p 29).

33. J. Fayolle, R. Salais, "Objectif emploi. Une gestion economique au service des hommes," Paris, "Messidor," 1985.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

IMEMO CONFERENCE ON 40TH ANNIVERSARY OF WORLD WAR II

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 123-130

[Excerpts] A scientific conference was held on 22 March in the USSR Academy of Sciences Institute of World Economy and International Relations devoted to the 40th anniversary of the victory over Hitler Germany. The opening remarks were delivered by Doctor of Historical Sciences O.N. Bykov, deputy director of the institute.

Doctor of Historical Sciences D.M. Proektor's paper was devoted to the Soviet Union's contribution to the smashing of fascism, the liberation of the peoples of Europe and the salvation of world civilization.

The victory of the anti-Hitler coalition showed the possibility and efficiency of cooperation in the name of the common goals of states with different social systems. The combat alliance of the USSR, the United States and Great Britain testified how successful great powers' interaction is when their policy is built on a basis of good will and a readiness for various compromises. The Soviet Union's decisive contribution to the achievement of victory was of tremendous significance for all postwar development. The victory over fascism lent very strong impetus to revolutions in a number of European and Asian countries. The impact of the democratic liberation forces in the course of the war and the defeat of the aggressor were a powerful stimulus of the profound transformation of the world.

The paper of Maj Gen V.I. Makarevskiy, candidate of military sciences and a participant in the war, examined certain questions of the development of Soviet military art in the course of the Great Patriotic War. In the prewar years, he observed, our military science had determined correctly, in the main, the characteristic features of the impending war: its class and, consequently, bitter nature; and the resolute and uncompromising nature of the sides' goals. The strategic offensive was recognized as the main type of combat operations; the theory of the offensive operation in depth with the concentrated and deeply echeloned use of tanks was elaborated. Great attention was paid to artillery support. Armored forces and aviation and other arms of the service were developed.

The paper of Candidate of Naval Sciences V.G. Parshin examined the navy's contribution to the achievement of victory over Hitler Germany and imperialist Japan.

The paper of Maj Gen S.G. Veytsman, hero of socialist labor and candidate of technical sciences, was devoted to the role of transport in the Great Patriotic War. As a result of tremendous work under the party's leadership in the prewar period by 1941 the fixed capital of transport had increased more than sixfold compared with 1913, and its relative significance constituted 15.9 percent of the fixed capital of the national economy. Railroad transport accounted for over 85 percent of the total freight turnover of all types of transport here.

Doctor of Economic Sciences Ya.A. Rekitar's paper examined questions of the USSR Economy in the Great Patriotic War and showed on the basis of striking examples the labor exploit of the Soviet people. The victory achieved in the course of the war, the speaker said, was a victory of the entire Soviet people. It had beer brought about by the entire course of historical development of the Soviet state. Its sources were determined by the tremendous potentialities and the nature of socialism, the fundamental advantages of the socialist social and state system, the unity of Soviet society, the might and mobility of our economy and the high level of Soviet military science and equipment.

In his paper Doctor of Historical Sciences D.G. Tomashevskiy dwelt on the foreign policy lessons of the Great Patriotic War and questions of the present day. He noted that the foreign policy of the Soviet state had made its contribution, and a considerable one, at that, to the victorious outcome of the Great Patriotic War. Its scale, mutifaceted nature and fruitfulness were convincingly confirmed both in the course of the war and in the solution of questions of the postwar settlement.

Of course, in many parameters today's world is radically different from what it was in 1945, not to mention earlier periods. The level of economic development, military equipment and the correlation of sociopolitical forces both between the two systems and within the capitalist system are qualitatively different. Nonetheless, I believe that recognition of certain lessons of that time could also be of benefit in the search for a solution of the acute problems of the current stage of international relations.

I would like first of all to recall the spirit of lofty humanism characteristic of the heroic struggle of Soviet people, who championed the freedom and independence of their motherland and at the same time defended man's sacred right to life. Today the highest manifestations of humanism is the struggle to prevent a nuclear war, which the Soviet Union is conducting consistently together with its allies and all peace-loving forces. Forty years ago it was a question of the deliverance from fascist slavedom of millions of people, today of the fate of world civilization and life itself on our planet. A great battle for the sake of life on earth is now being conducted by millions of ordinary people, particpants in mass antiwar demonstrations and politicians and diplomats, who are striving for a curbing of the arms race and for international detente.

The events of 40 years ago remind us what a terrible price the peoples had to pay for the fact that the warmongers were not repulsed in good time, before the start of the war, when the emphatic collective actions of all peace-loving forces, regardless of the political and ideological differences between them, could still have halted the aggressors. Hitler aggression was curbed, nonetheless,

but on the battlefield, late and at an inordinately costly price. Under present conditions, however, war, if not prevented, would result in an irreparable catastrophe. Not a passive waiting for the results of the confrontation of the forces of peace and aggression, not a gamble on the nuclear confrontation as a "restraining" factor, but practical measures to halt the arms race and lower the level of nuclear confrontation--such today is the way to prevent war.

The experience of cooperation within the framework of the anti-Hitler coalition of class-opposite states in the name of victory over the common enemy would also appear highly instructive in our day. It was not, as is known, unclouded, but the results of the war and the concerted decisions on the postwar settlement proved its possibility and efficiency. Despite all the changes of the actual historical situation, the experience of relations between states with different social systems in the period of the anti-Hitler coalition has not lost its relevance. On the one hand the common enemy of all peoples now is the threat of nuclear war, and their objective interest in its removal represents no less an important prerequisite for unification of the forces of the states of the two systems than the aspiration to victory over fascism 40 years ago. On the other, the speaker observed, an anti-Sovietism dictated by narrow class interests is fraught with incomparably more dangerous consequences.

The possibility and fruitfulness of peaceful coexistence were also confirmed by the experience of detente of the 1970's. Unfortunately, the West's most reactionary circles are presently attempting to falsify and at times to ignore even the positive experience of the two systems' interstate relations in the past, to which, in particular, the increased frequency of the attacks on the Yalta and Potsdam agreements and sometimes the Helsinki Final Act even testify. As in the war years, the divide between the supporters of an aggressive policy and the champions of the consolidation of peace does not automatically coincide with membership of socioeconomic systems and social strata. Not only the socialist community countries but many other states also are currently the Soviet Union's allies in the struggle for peace.

The 40th anniversary of the Great Victory also reminds us of such a fundamentally important feature of the modern age as the increased role of the people's masses in world politics. WWII, which began between capitalist countries, concluded as a struggle of peoples for national and, in a number of cases, social liberation. The process of the involvement of millions-strong masses in historical creativity, which was accelerated by the great trials of the war years, has acquired qualitatively new scale in our day. The growing involvement of the broad strata of the population in the struggle for a solution of key problems of world politics is a singularity of present-day international relations. And political parties and governments have to take stock of this.

And, finally, last, but not least. In the light of the results of WWII the exceptional role of the Soviet Union in world history was once again revealed unusually strongly. At that time it was it which made the decisive contribution to the rout of the aggressors, the liberation of the European peoples and the salvation of civilization. And today its power and its consistent peace policy and readiness to cooperate with all peace-loving forces are appearing increasingly distinctly as the decisive factor of the preservation

of peace in the world and the principal obstacle in the way of whose who are pushing mankind into the depths of nuclear war. The consistency and continuity of the Soviet Union's foreign policy course--a course of peace and progress--were confirmed once again at the CPSU Central Committee March (1985) Plenum, at which it was proposed commemorating the 40th anniversary of the Great Victory with new steps in the direction of the establishment of peaceful, mutually profitable cooperation between states based on the principles of equality, mutual respect and noninterference in internal affairs.

The lessons of the Great Patriotic War, in the foreign policy sphere included, must not be forgotten. This is demanded in the modern dangerously exacerbated situation by respect for the memory the millions of fighters and responsibility to future generations.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

DEVELOPMENT FUNDS IN ARAB WORLD DETAILED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 138-141

[K. Fedotov article: "Specialized Funds of the Arab Countries"]

[Text] Reader G.Ya. Molchanov from Moscow asks what the specialized development credit funds of the Arab countries are. What are their structure, possibilities, purposes and tasks? What problems are these credit-finance organizations encountering?

In the 1970's the sphere of credit-finance relations became a leading direction of economic cooperation between Arab oil-exporting and other developing states. The multiple increase in the price of oil in the middle of the last decade and the corresponding growth in receipts from exports thereof in the group of Arab OPEC members contributed to this. As a result the said countries were able to appreciably expand the extension of credit to developing, mainly Arab, states experiencing an acute need for financial resources for the realization of projects and programs of socioeconomic development.

The accumulation of substantial monetary resources enabled the Arab oil producers to create independently and also with the participation of other developing countries, Arab included, a number of specialized aid agencies. A particular place among them was occupied by development funds,* which may be considered a new element in the system of inter-Arab credit-finance relations.

All documents of the development funds (statutes, founding agreements) say that they are guided in their activity by the purpose of assisting the Arab and also other developing countries in raising their economy. The leading bodies of these institutions emphasize, as a rule, that in effecting credit transactions they consider solely the economic interests of the recipients and the creditors and do not pursue political aims. Thus article 17 of the agreement on the establishment of the Arab Economic and Social Development Fund, which is headed "Prohibition of Political Activity," indicates plainly that the administration of the fund

* Although some of these institutions had been created back in the 1960's, the stimulation of their activity was directly connected with the growth of the oil producers' revenue in the mid-1970's.

must not interfere in political issues and may proceed in its decisions only from considerations of an economic and social nature.*

However, in practice the development funds are frequently used to achieve political goals also when questions of credit cooperation are being decided. Naturally, this aspect of their activity is thoroughly concealed.

The very creation of the funds was frequently connected with political tasks. Thus the governments of the Arab states which founded these organizations could not have failed to have taken into consideration the fact that in raising the price of oil and concentrating in their hands large-scale financial resources they were causing the dissatisfaction of other developing countries, Arab included, whose outlays increased sharply since the latter were forced to acquire oil at the increased prices. The specially created funds were probably designed to neutralize the negative reaction as far as possible and ensure the developing states' unity in the solution of questions of international life. Evidently this aspect was not the least factor prompting the leadership of the Kuwait Fund, as of 1975, to expand the geography of its credit transactions and go beyond the limits of the Arab region. In addition, the financial resources specially granted by the national development funds could essentially represent a payment for moral-political support rendered the donor country in the solution of this contentious question or other. It is this which most explains the "generosity" of, for example, the Iraq External Development Fund, which allocated at the start of the 1980's considerable financial resources to Jordan, which had taken Iraq's side in the military conflict with Iran.

The organizational structure of the said development institutions of the Arab countries is of the same type, as a whole. They are managed by a board of directors or a board of managers. At the head of these bodies is a general director, general manager or president, who directs current activity, represents the funds at meetings with other national and international establishments and participating countries and also decides administrative, financial and technical questions. The highest bodies of the said institutions are empowered to deal with questions of granting loans and other forms of assistance, determine the conditions of the funds' participation in development projects and programs and general policy when allocating monetary resources, confirm the annual budget and so forth.

The first specialized national credit institution of the Arab countries was the Kuwait Arab Economic Development Fund (KAEDF), which was set up in 1961. At the start of the 1980's its capital had reached $7.3 billion.

An obligatory condition of obtaining a KAEDF loan is the debtor country giving a guarantee that the resources allocated to it will be used solely to finance the project for which they have been allocated. All documents and contracts of the country receiving the aid must be approved by the fund. Where necessary, it pays for the services of the project's consultants, who have to have been selected also only with its prior approval. In other words, the KAEDF holds levers of influence on the economic life of the countries which receive the loans, which enables it to exert a certain influence on their business circles and government.

---

* See S. Demir, "Arab Development Funds in the Middle East," New York, 1979, p 87.

The resources are granted by the fund for a period of up to 49 years with a preferential period of 1.5 to 11 years on the basis of an annual 0.5-7 percent. The amount of the loan here should not, as a rule, be in excess of 50 percent of the cost of the financed project.

By the end of 1982 the KAEDF's obligations in terms of the granting of loans to developing countries constituted $3.9 billion. The bulk of them had been allocated to states of the Arab world. Thus by the end of 1981 these countries accounted for approximately 57 percent of its obligations.

The Kuwait Fund attaches exceptional importance to the development of the infrastructure, which by the end of 1982 had absorbed over 50 percent of its obligations. It was the initiator of the creation of a number of national and regional (multilateral) economic and credit-finance establishments. The KAEDF, in particular, participated actively in the elaboration of draft agreements and the statutes of the Arab Bank for the Economic Development of Africa. It represents Kuwait in these organizations and advises its country's government on a broad range of economic issues.

Under the direct influence of the Kuwait Fund the Abu Dhabi Arab Economic Development Fund (ADAEDF) was set up in the summer of 1971. As distinct from the first, the ADAEDF grants loans on commercial terms also.

When conducting credit transactions the ADAEDF is guided by the following principles: the loan for realization of a certain project cannot be in excess of 10 percent of the fund's capital and 50 percent of the total cost of the project and it must not be contrary to the economic interests of Abu Dhabi and other Arab countries. The set goal here is that of striving to ensure that realization of the financed project contribute to an increase in employment, diversification of the sources of the debtor country's revenue, the growth of its export proceeds and a reduction in the balance of payments deficit. The loans are granted for a term of 6 to 25 years, including a preferential period of up to 8 years, on the basis of an annual 2.5-6.5 percent.

The fund began credit activity only in 1974. By the end of 1982 the sum total of its loan obligations constituted approximately $1 billion. The resources granted the developing countries by the ADAEDF are allocated extremely unevenly. The Arab countries, which account for 75-80 percent of all loans, are in a privileged position. In individual years their share has amounted to 100 percent.

The ADAEDF pays the main attention to the development of industrial production and the infrastructure. Approximately one-half and over one-third of the sum total of the fund's loans had been allocated to these ends respectively by the end of 1982.

The Saudi Development Fund (SDF) emerged in 1974. At the start of the current decade its authorized capital amounted to $7.4 billion. The SDF is largely guided in its credit activity by political factors. Great significance is also attached to such questions as the debtor-country's solvency, the degree of importance of the project, the recipient's possibility of attracting monetary resources for financing the project and so forth.

The SDF grants a loan on condition that the recipient country fulfill a number of obligations and of the existence of the corresponding guarantees. In the event of a breach of the obligations, the fund may immediately suspend the further extension of credit and demand that the amounts which had been paid out earlier be paid off. The amount of the resources must not exceed 50 percent of the cost of the financed project or 5 percent of the SDF's authorized capital. The loans are granted by the SDF for a term of 15 to 30 years, with the preferential period running 3 to 12 years here. An annual 4 percent is charged on the loans.

The fund embarked on credit transactions at the start of 1975, and by the end of 1982 the sum total of its obligations had risen to approximately $3.8 billion. Arab countries account for approximately half of total resources granted. As far as the sectorial distribution of the loans is concerned, the most attention is paid to development of the infrastracture.

The Iraq External Development Fund (IEDF) was formed, like the Saudi Fund, in 1974. Its capital amounts to $677 million (at the start of the 1980's). It would not appear possible to say anything about the scale and directions of the activity of this organization at present owing to the lack of data in connection with the Iran-Iraq military conflict, which has been going on for more than 4 years now.

The first multilateral credit organization of the Arab countries was the Arab Economic and Social Development Fund (AESDF). The agreement on its creation was signed in 1968 and came into force in 1971. Fifteen countries were the original participants in the organization. Later they were joined by the remaining Arab states and the PLO. The AESDF's authorized capital amounted in 1981 to $2.8 billion.

Despite the collective administration of the fund, the influence of the participating countries on the nature and thrust of its credit policy is determined by the amount of shares of each of them (in the voting the representative of a country has 200 votes plus one vote per share).

The purpose of the fund's activity is the financing of socioeconomic projects in the Arab states. In principle preference should be given here to projects which serve the interests of the entire region and joint Arab country projects.

The term of the resources granted by the fund fluctuates from 12 to 25 years, the preferential period from 2.5 to 6 years. The interest rate is 4-6 percent depending on the state of the economy of the recipient country and the specific purpose of the loan. The minimum rate is applied for loans for the least developed Arab countries (as distinct from the UN classification, the AESDF puts only Djibouti and Somalia in the category of least developed countries). The fund embarked on credit transactions in 1973, and by the end of 1982 its obligations constituted approximately $1.6 billion.

The sectorial allocation of the resources shows that priority in ASEDF activity is assigned the development of the infrustructure. Thus at the end of 1982 the needs of transport and communications accounted for 35 percent, power engineering 19 percent and water supply and sewerage 15 percent of the fund's loan obligations.

A particular place among the other credit institutions belongs to the Islamic Development Bank (IDB), which was set up in 1974. Some 41 developing countries participate therein. The banks' leading shareholders are Arab states, which have 80 percent of the votes (the biggest of these are Saudi Arabia, Libya, Kuwait and the United Arab Emirates). The IDB pursues the goal of assisting the economic development and social progress of the Islamic states which participate in the bank's activity. Its authorized capital is fixed at 2 billion Islamic dinars (1 Islamic dinar is the equivalent of 1 SDR).

The IDB finances foreign trade transactions and the construction of industrial facilities of the member countries by way of the granting of loans, undertakes leasing operations, renders technical assistance and so forth. The bank has also developed a so-called investment deposit plan, according to which it accepts deposits from organizations and private individuals and uses them predominantly to finance foreign trade deals.

In accordance with the tenets of Islam, the IDB officially cannot collect interest on the loans. However, the bank levies a so-called service charge, the amount of which is 2-4 percent. The term of the loans for development projects constitutes 10-30 years, and preferential period from 3 to 6 years.

The IDB finances on a large scale trade deals between Islamic states. By the end of 1982 this type of activity accounted for approximately 60 percent of all the bank's transactions. The overwhelming proportion thereof was connected with raw material, predominantly oil, imports.

By the end of 1982 the sum total of the bank's transactions constituted approximately $2.3 billion. By virtue of the fact that the dominating position in the IDB system is occupied by Arab countries, these states naturally account for the bulk of the financial resources which it allocates in various forms.

The OPEC Special Fund, which was set up in 1976, also stands out among the institutions in question. Prior to 1980 it was not a legal entity but represented a special international account of a temporary nature. This account recorded the obligations of the countries which subsequently formed the OPEC Fund. The monetary resources which had been allocated were kept at that time in their accounts in national banks. In 1980 the fund was transformed into an international multilateral agency for financial cooperation and assistance whose allocated capital constituted $3.3 billion. A new name for the organization--the OPEC International Development Fund--was adopted at the same time.

This institution sets as its task the strengthening of the financial cooperation of the members of the organization of oil exporters with other developing states. It grants the latter preferential loans for maintaining the balance of payments and fulfilling development projects and programs and also issues resources to international organizations and finances technical assistance.

The loans are granted usually for 15-20 years with a preferential period of up to 5 years on the basis of an average annual 4 percent. The OPEC Fund's obligations to the developing countries constituted (end of 1982) approximately $1.8 billion. The biggest resources were allocated for development of the infrastructure. The principal aid recipients were non-Arab developing states.

Altogether by the end of 1983 the specialized national and multilateral credit-finance institutions created by the Arab oil producers independently and also with the enlistment of other developing countries had undertaken to grant in the form of loans approximately $18.5 billion. Half of these resources were earmarked for the Arab states.

The assistance rendered the Arab countries which need this by the credit institutions of the oil exporters is undoubtedly contributing to a certain extent to the surmounting of the economic difficulties which they are experiencing. At the same time the amount of the financial resources granted by these funds, the Arab economist H. Nashashibi observed, will always be modest compared with the tremendous potential requirements of regional development.* A negative influence on the scale of the credit transactions of the development funds is being exerted by the fact that a considerable proportion of their authorized capital is of a nominal nature, that is, has not actually been paid, and the loan payment obligations exceed its actual potential. It is obvious here that, whatever decisions the leadership of the national credit institutions and shareholders of the analogous multilateral organizations concerning an increase in their authorized capital adopt, the constant outflow of the financial resources of the Arab oil exporters to the United States, the West European states and Japan will inevitably be reflected in the amount of the paid-up capital of the development funds and, correspondingly, in the amount of aid which they actually grant.

Even such a measure as the funds' use of loan capital to supplement their paid-up capital (which is provided for by the statutes of some of them) is evidently incapable of appreciably changing the situation. More, the active use of loans by the funds themselves would lead, in turn, to a sharp reduction in the preferential factor of the loans which they allocate recipient countries, that is, would make the terms on which they were granted stricter and would create additional difficulties for the states interested in assistance in paying off the debt.

Also extremely complicated is the problem of each individual participating country's control of the activity of the multilateral institutions inasmuch as, according to traditional rules, the rights of each of the participants are determined by the amounts of their contributions to the common authorized capital.

The practice of the joint financing of industrial facilities, whereby the resources of two and more funds and also credit establishments of Western countries, primarily the World Bank, are amalgamated, has become quite widespread in recent years in the activity of the development credit institutions. To a number of these organizations the World Bank not only offers versions of participation in joint financing but also renders considerable technical assistance and conducts research connected with the proposals for the projects proposed for financing.

---

* H. Sh. Nashashibi, "Arab Development... Through Cooperation and Financial Markets," Kuwait, 1979, p 50.

This practice has highly equivocal consequences as applied to the development funds. On the one hand participation in the financing of projects together with credit-financial institutions of the industrially developed capitalist countries enables the funds to gain primarily the necessary experience in this sphere, administrative included. Furthermore, they acquire a chance to reduce the level of probable losses given unforeseen circumstances.

Nonetheless, the negative consequences of this practice would undoubtedly appear more significant. The close cooperation of the development funds with the World Bank and the International Development Association and also the governments of the industrially developed capitalist countries in the financing of industrial projects, given the leading role of the latter, puts the Arab aid institutions in a position dependent on them and also pushes the development of the countries receiving this assistance in a direction which corresponds not so much to the tasks of strengthening their independence as to the economic and political interests of the imperialist powers.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

BOOK ON CONSERVATISM, REFORMISM REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 142-143

[V. Usoskin review: "Crisis of the West's Economic Thought"]

[Text] The book in question* is a notable phenomenon in the sphere of Marxist criticism of bourgeois theories. It presents a broad panorama of the current state of the West's economic thought and seriously and cogently investigates the most important currents in bourgeois political economy which to a large extent are determining the ideological and sociopolitical climate in the capitalist countries and exerting a daily influence on measures of the government machinery.

A central place in the work is occupied by a study of the causes, forms of manifestation and consequences of the profound crisis which has hit the West's political economy in the 1970's-1980's and led to an appreciable reorganization of economic analysis and the entire system of measures of the state. The author defines the diagnosis of this illness as a "crisis of liberal-bourgeois reformism" (p 7), that is, the current which has been represented by the ideas of orthodox Keynesianism and which throughout recent decades has served as the theoretical foundation for broad-scale operations of state-monopoly regulation of the economy. However, the sharp increase in the instability of the capitalist economy in the 1970's-1980's, to which the Keynesian methods of spurring demand, the growing inefficiency of state regulation, inflation and mass unemployment had contributed to a considerable extent--all this devalued views which had been widely recognized in bourgeois economic science. Once again there arose in all its seriousness the question: how to overcome the contradictions of capitalist production, by what paths should the evolution of bourgeois society proceed?

"The answers," we read in the book, "differed not only on the part of opposed class forces--the working class and the bourgeoisie--but within the bourgeoisie itself also" (p 8). The conflict between the conservative-reactionary and

* I.M. Osadchaya, "Konservatizm protiv reformizma (Dve tendentsii v burzhauznoy politekonomii)" [Conservatism Against Reformism (Two Trends in Bourgeois Political Economy)], Moscow, Izdatel'stvo "Mysl'", 1984, p 223.

radical-reformist currents in bourgeois political economy, primarily between its main, arterial directions--neoclassical and Keynesian--intensified. They have for many years served as a nutrient medium for the manifestation of influential paradigms reflecting the interests and positions of different groups of the ruling class and proposing various prescriptions for overcoming the contradictions immanent to capitalism.

The complex nature of the mutual relations of these two currents has been researched quite thoroughly in Soviet economic literature. It has noted that a trend toward the reconciliation and "synthesis" of the said currents had been discerned at one time which was disrupted as soon as the contradictions of capitalism passed on to a qualitatively different, higher level. A new phase has arrived, revealing the serious conflict between the supporters of a strict conservative policy and the more cautious wing of bourgeois liberal reform. I. Osadchaya's book is devoted primarily to an illustration of this new stage, which has led to a serious modification of bourgeois theories within the framework of the said directions of economic thought. It shows how and in what forms the supporters of a conservative course are attempting to revive the reactionary-apologetic idea of "unregulated" capitalism, using it as the theoretical justification for the monopolies' powerful new offensive against the positions of the working class. At the same time, however, the supporters of a more moderate--"reform"--line see the way out of the difficulties in a sober consideration of the realities of the era, continuation of the policy of social maneuvering and an improvement in the forms of state intervention in economic processes.

The title of the work provides, as a whole, a correct idea of the subject of the study. But its framework is considerably broader. The author approaches the West's current economic theory as a most complex socioeconomic and ideological-political phenomenon which is in a process of constant evolution and is developing according to its own, sometimes paradoxical laws. Their ascertainment is a laborious and complex task. The researcher has to handle a vast conglomerate of diverse currents and schools of extraordinarily motley composition and their modifications and ramifications. Another line of the evolution of political economy, which is reflected in the development of the main theoretical sections--the problems of cost, money, interest, profit, prices and inflation, economic growth, the cycle and so forth--with reference to the changing conditions of reproduction and the complication of the capitalist economic mechanism, is "imposed" on them. These two political economy seams--the sphere of the major economic schools and the field of the specialized investigation of individual phenomena and categories of capitalist production--interweave and interact between themselves, which requires of the researcher broad erudition and the ability to creatively apply Marxist methodology to an analysis and collation of the new processes in the sphere of bourgeois theories.

I. Osadchaya has managed to a considerable extent to overcome the said difficulties, which has ensured the high standard of the research. She has correctly distinguished the pivotal lines of the development of bourgeois political economy which help "organize" the vast factual material and made an in-depth Marxist evaluation of the class essence of the analyzed theories.

The monograph is distinguished by completeness of approach, a well-conceived structure and the cogency of the criticism. In this respect it is favorably distinguished from certain collective works on the said subject matter in which the "disconnection" of the individual parts, the multilevel nature of the interpretations, lacunae in the illustration of the subject and so forth are sometimes observed.

The sections devoted to the evolution of Keynesian theory--the fruit of the author's many years of research--would seem the most successful. Thus the first chapter of the work incorporates a very interesting analysis of the sources and particular features of the formation of this most important school of bourgeois political economy and the processes of its transformation into the "orthodox" or "reader" version based on a synthesis with elements of the concept of the neoclassics and the coming into being of the Keynesian theory of growth. The second is devoted to a study of certain elements of the neoclassical approach which are the antithesis, as it were, of Keynesian teaching--neoclassical theories of growth, for example. The third chapter traces the further modification of the principles of Keynesianism and the formation of the "post-Keynesian" paradigm. Finally, in the fourth chapter attention is concentrated on the formation of the neoconservative opposition and the influence of these processes on economic policy. The coverage is truly most extensive; it is a question of the transformation of the leading, basic elements of bourgeois economic theory in the past 50 years.

At the same time there are also certain shortcomings and gaps in the work. The neoclassical school and its individual branches have been illustrated, we believe, insufficiently fully. To use the author's terminology, "reformism" has been studied in greater depth than "conservatism". Thus only 10 pages are devoted to monetarist doctrine--a most important component of the neoconservative alliance around which theoretical battles have been unabating for the last 15-20 years. In the book's fourth chapter modern conservatism is reduced to "supply-side theory". The author was evidently carried away by the counterpointing of economic doctrines along "supply--demand" lines. Monetarism as a theory, however, oriented toward demand is not inserted in this outline, and due attention has not been paid to it. Among the omissions we should also put the absence of an analysis of the theory of "rational expectations," to which the center of theoretical debate shifted in the 1970's; insufficient illustration of Say's Law, which embodies the neoclassical idea of the harmonious development of capitalism; the absence of a detailed analysis of the L. Walras general balance model, which is the primogenitor of all modern "balance" models; the cursory nature of the critical study of "Phillips Curve," the failure of which marked a kind of "theoretical Waterloo" for Keynesian doctrine; and certain others.

But none of these observations in any way detracts from the merits of the in-depth research conducted by I. Osadchaya. They merely demonstrate once again the considerable difficulties which faced the author, who was limited by the book's very modest size. As a whole, however, the monograph offered to the reader is an undoubted success. It reveals the depth of the crisis of bourgeois political economy and shows the importance of the confrontation of its contemporary currents for the antimonopoly struggle of the working class.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

DANISH BOOK ON DEPLOYMENT OF U.S. MISSILES IN EUROPE REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 150-151

[K. Voronov review: "Concern for the Future"]

[Text] The book in question, "The European Theater. Book on the Missiles and the New Nuclear Debate,"* was written by the well-known Danish journalist and public-political figure D. Adler. Written on a keenly publicistic and at the same time substantial documentary basis, it reveals the backstage aspect of NATO's so-called 1979 "twin decision". Particular attention is paid here to the causes and consequences of the deployment of the new American intermediate-range nuclear missiles (INF) in West Europe and the course of the antimissile debate in Denmark.

The author terms the start of the countdown to the appearance of the new class of INF the contract obtained in February 1969 by the American Martin Marietta military monopoly for modernization of the Pershing 1 missiles for the needs of the European theater. Following tests, the subcontractor--the Goodyear concern--produced a radar guidance system ensuring high strike accuracy--with an error of the order of 25-50 meters (p 86). The probable error factor is even better for the Tomahawk cruise missiles (BIM-109)--less than 20 meters according to certain data. "The provocative effect," D. Adler observes, "was obvious to everyone" (p 226).

Following such results promised by the monopolies, the book says, the American generals got to work, demanding the speediest replacement of the arsenals with the new first-strike nuclear weapons. And matters proceeded along the track well-trodden by the military-industrial complex: in 1972 the Martin Marietta firm obtained a contract for a sum total of $10.5 billion, the first successful test was conducted in 1977 and engineering support--launchers, means of transportation and other equipment--was developed in 1978 (pp 87-89). In fact the Pershing 2 was a new missile inasmuch as of the 12,000 parts, 3,000 had not been used before (p 92).

---

* D.J. Adler, "Det Europaeiske teater. Bogen om raketterne og den nye atomvabendebat," Copenhagen, "Eirene," 1984, p 452.

Economic benefits play a part also--the cruise missiles ensure for NATO generals "a thousand times greater efficiency" than the Minuteman III ICBM upon determination of cost effectiveness. Thus the cost of a Tomahawk constitutes only one-seventh of the expenditure on the production, support and maintenance of an F-16 fighter bomber (p 102). However, the decisive part in the deployment of the new American missiles in Europe was nonetheless played, as the author rightly emphasizes, by purely political considerations. It is highly indicative that the political basis of the "twin decision" is characterized in the book as "verbal and pseudorational deception" (pp 110-112).

Employing a military-technical style naturally, the author believes that this prehistory helps us peer into the future inasmuch as the United States intends in the aspiration to even greater military-strategic superiority to equip the 102 Pershing 2 launchers with at least three missiles. The reloading of the batteries in 10 minutes thus presupposes the possibility of a triple launch. But even this is not all: Martin Marietta is actively developing a new increased-range Pershing 3 missile with separating individually targeted warheads (p 94).

As the study observes, the development and production of new types of nuclear delivery systems are producing for the United States' aviation and rocketry corporations huge profits. The cruise missiles example is indicative. Thus Boeing obtained an order for the production in the period 1982-1989 of 4,300 such air-based missiles for the impressive sum of $8.2 billion. The value of the order for the manufacture of 3,994 sea-based Tomahawks (1982-1987) which the General Dynamics corporation obtained is even greater—$8.3 billion. Against such a background the $3.3 billion constituting the sum total of the order obtained by the latter for the manufacture of 464 Tomahawks for deployment in West Europe plus the subsequent supply (in the next few years) of a further 560 such missiles (p 107) appear, as the author ironically put it, "quite modest".

NATO's nuclear strategy has always been a painful spot in the relations of the bloc's participants. D. Adler emphasizes the difference in the motives of the "transatlantic partners" and the differentiation of viewpoints in specific situations. He shows clearly and at the same time without oversimplifying the problem that Denmark has always occupied a special position in critical periods of NATO activity: in 1953 it refused to create air bases on its territory, in 1957 the deployment of nuclear weapons and in 1963-1964 plans for the creation of a multilateral nuclear force (p 60). However, in 1979 the Folketing voted 130 to 29 to reject a resolution calling on the government to oppose at the notorious NATO Council December session the production and deployment of INF in Europe, just as, incidentally, it had rejected by an overwhelming majority a resolution in support of realization of the American plan (p 6).

As is known, an indispensable condition of the approval by Denmark and West Europe of the "twin" decision was recognition of the fact that the SALT II Treaty would ultimately be ratified by Washington. However, it was here, the author observes, that Europe was deceived (pp 396-397). These and other factors prompted the Danish leadership to propose at the said NATO Council Session a 6-month postponement of the adoption of the "twin decision" and also in conjunction with Greece to record its special position in the final document (p 414).

Against a broad backdrop of international-political events D. Adler traces the peripeteias of the diplomatic struggle on the "missile question," paying tribute to the Soviet peace initiatives, realization of which could have prevented a new, highly dangerous twist of the nuclear arms race spiral in Europe. At the same time present in the book in one way or another is the proposition which has become widespread in West Europe concerning some equal "superpower" responsibility for the unsatisfactory state of the situation in the world. Nonetheless, the author puts the blame for the breakdown of the well-known Geneva negotiations on limiting nuclear arms in Europe, just as for the nonentry into force of the SALT II Treaty, on the "hawks" in the United States and NATO (p 282).

The work analyzes the course of the antimissile debate in the West European countries. The debate in Denmark in 1979-1983 reflected the increased influence of the new antiwar movement. Even the circles which played up to the United States' militarist plans do not feel more comfortable as a result of their implementation (pp 364-365). The logic of the new twist to the arms race spiral which has been added by NATO is such: the increasingly large number of missiles in the bloc's arsenals is reducing security. Realization of the "twin decision," which brought about forced retaliatory measures on the part of the USSR and its allies, the author observes, has only increased even more the West Europeans' disquiet and concern for their security (p 347).

As the work emphasizes, the bulk of the supporters of antimissile actions rejects the official myth of the "Soviet military threat," evaluating correctly the historical experience of the Soviet Union's struggle for the preservation of territorial integrity and independence, the colossal material losses and human casualties which it incurred in WWII and the structure of the armed forces, which corresponds precisely to the needs of the country's protection and defense against aggression (p 369).

The "resulting" conclusions at which D. Adler arrives are instructive for the reader. It is his belief that Denmark and West Europe as a whole may only be secured against the threat of nuclear catastrophe by emphatic deliverance from the omnipotence of the NATO military-bureaucratic machine and also the biggest monopolies, which are not under the control not only of the peoples but also of the governments of the bloc's members. "West Europe," the author appeals, "needs to rid itself of ideological pharisaism and anti-Soviet paranoia and cultivate the capacity to think and act independently" (pp 428-429). Besides ideological and psychological reorganization, he believes, it is essential in order to break out of the vicious circle of the arms race to impart to NATO in the next few years a defensive nature and to revise strategy and doctrine to this end (pp 423-424).

The book by the Danish journalist attracts attention by its emotional character and frank concern for the fate of peace in Europe. It reflects the broadening antiwar mood in West Europe and the demands of broad circles of the public that their governments switch from general discussion to practical steps to free the European continent of nuclear weapons.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

REVIEW OF BOOK ON PAKISTAN'S FOREIGN POLICY

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 152-153

[O. Pleshov review: "Pakistan in the International Arena"]

[Text] Since the time of Pakistan's formation its foreign policy has passed through several stages. The course in the first years of the country's existence, which was neutralist as a whole, was replaced by a military-political alliance with the United States and participation in the aggressive SEATO and CENTO blocs. In the 1960's-1970's there was a certain revision of foreign policy strategy, a departure from the one-sided orientation and a course toward the strengthening of foreign policy independence and the expansion of international relations, including cooperation with the socialist states. On the eve and at the outset of the 1980's again military-political rapprochement with the United States and participation in the aggressive designs and actions of imperialist and hegemonist forces in Southwest and South Asia, primarily against the Democratic Republic of Afghanistan [DRA], and also India. As a result Pakistan has found itself among the countries of whom it was said in the CPSU Central Committee report to the 26th party congress that they are following the lead of the policy of imperialism.

What are the reasons for this evolution? It is this question which the book under review* answers. In a state where since the time of its formation a bourgeois-landowing coalition has been in power the changes in the foreign policy course have occurred as a result of certain permutations in the ruling bloc and the ouster from the helm of power of some groupings and the arrival at the helm of administration of others. At the same time a tremendous influence has been exerted by the external factor. Imperialist forces have endeavored and continue to endeavor to keep this big Asian state on the periphery of the world capitalist system and preserve the dependent nature of its economy and the socioeconomic status quo. Having in mind the country's important strategic position at the intersection of the regions of South and Southwest Asia, the United States is persistently involving it in its aggressive

* V.N. Moskalenko. "Vneshnyaya politika Pakistana (Formirovaniye i osnovnyye etapy evolyutsii) [Pakistan's Foreign Policy (Formation and Basic Stages of Evolution)], Moscow, Glavnaya redaktsiya vostochnoy literatury izdatel'stva "Nauka", 1984, p 301.

designs and making active use of it in the undeclared war against Afghanistan, to maintain a center of tension on the Hindustan peninsula and for constant pressure on India.

As the work convincingly shows, the effect of negative internal and external factors intensified particularly at the end of the 1970's. As a result of the coup d'etat in July 1977 and the establishment of the dictatorship headed by Gen Zia-ul-Haq reactionary elements strengthened in the ruling bloc and there was a general shift to the right. Simultaneously imperialist forces, following the revolution in Afghanistan and the ouster of the shah's regime in Iran, gambled on making Pakistan the policeman of South and Southeast Asia. It was granted large financial resources, and a flow of modern arms, including F-16 aircraft, which are nuclear capable, streamed into the country. The result of the influence of all these factors was that Pakistan became the main springboard of the forces waging the undeclared war against the DRA.

While studying the complex interconnection between domestic and foreign policy and noting the priority of the first, the author at the same time shows on the basis of a great deal of factual material the reverse impact of foreign policy on the situation in the country and its domestic policy. The course toward military-political rapprochement with the imperialist powers, the one-sided orientation toward them, conflicts with neighboring states--all these have been reflected most negatively in Pakistan's economic and political position. This policy has impeded the progressive development of the economy, heaped up on it an insupportable burden of military spending and contributed to a toughening of the domestic policy of the ruling circles, repression of the democratic forces, an offensive against civil rights and the growth of chauvinism and reaction. So it was in Pakistan in the 1950's, the same is happening at present also. The departure from the one-sided orientation toward the imperialist powers, on the other hand, an expansion of foreign relations, cooperation with the socialist countries and the establishment of normal relations with neighboring states had a salutory influence on the country's domestic life and contributed to the surmounting of the vestiges of the colonial past, the implementation of socioeconomic transformations and the democratization of society, as was the case in the 1970's.

The evolution of foreign policy is shown in close connection with the development of the socioeconomic and political situation in the country, the change in the alignment of class and political forces and the dynamics of international relations globally and regionally. An appreciable influence, albeit of a varying degree of impact, on Pakistan's foreign policy activity has been exerted by such factors as the existence of vestiges of the colonial and precolonial past, the shortage of many important types of raw material and fuel, the intensification of property inequality, political instability and the discontent of broad masses of the population. The author also reveals the role of the subjective factor; he does not confine himself here to a characterization of the views of this leader or the other but traces their evolution through different periods of the country's history (the views, for example, of Z.A. Bhutto in the 1950's-1960's and the 1970's).

Analyzing the influence of Islam on foreign policy, V. Moskalenko convincingly refutes the assertion concerning its alleged determining role. As the book notes, the factor of religion operates when it coincides with the economic and political interests of the ruling classes (as is the case in relations with the conservative regimes of the wealthy Near East countries). When, however, the ruling circles are only faintly interested in cooperation with some Muslim country, in Southeast Asia, for example, the religious aspect exerts no appreciable influence. More, practically since the day of its emergence Pakistan has pursued a hostile policy in respect of such a country as Afghanistan.

An all-around study of Pakistan's foreign policy activity has enabled the author to draw a number of conclusions which are of importance for an understanding of the singularities of the political development of young states which have opted for the capitalist path of development. Primarily, the extreme importance for them of the external factor and the higher-than-usual reaction to external impulses; the less rigid connection between foreign and domestic policy and possible divergences between them over a certain period of time; the quite substantial specific nature of different areas of foreign policy activity; and the limited nature of the direct influence of the masses on the formulation and pursuit of foreign policy.

Of course, the author has not been equally successful in everything. Thus I would like to have seen a more precise formulation of the concept of the country's national interests and the main long-term tasks of the foreign policy strategy of Pakistan's ruling circles. Certain sections of the monograph are overloaded with factual material. Glossaries and subject indexes are essential in such a big work. These observations, however, do not detract from the overall high evaluation of the book in question. In our view, it is useful both for those studying theoretical problems of international relations of the developing countries and for practical workers.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

BOOK ON ECONOMIC ORGANIZATIONS OF DEVELOPING WORLD REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 85 (signed to press 12 Jun 85) pp 156-157

[I. Korolev review: "Important Factor of Economic Development"]

[Text] The book in question* is the first economico-statistical handbook in Soviet literature on international economic organizations of the developing countries. It concentrates systematized, carefully selected information on the composition, structure and basic directions of the activity of practically all such existing international economic associations. At the same time this work is not only of informational significance. On the basis of a vast amount of statistical material the author analyzes the mechanism of the functioning of individual groupings, evaluates their economic potential and export resources and import requirements and examines the structure and geographical direction of economic relations. The reader thus gains a comprehensive idea of the economic grouping in which he is interested and its role in the economic development of the participating countries.

V. Shmelev links the process of the creation of economic groupings of Asian, African and Latin American states with the manifestation of integration trends in the economy of the developing countries. Of course, owing to the weakness of the economic base of the majority of young independent states, such trends are frequently of a rudimentary nature. The quite modest proportion of reciprocal foreign trade exchange in many economic groupings--less than 10 percent of overall foreign trade turnover (p 4)--testifies to this, in particular. At the same time some of these groupings are beginning to acquire the features of a regional integration complex. Thus in 1980 among the participants in the Latin American Integration Association engineering and chemical products sold "within" the organization accounted for 37 percent and 46 percent respectively of the total value of exports of the corresponding commodities: the proportion of industrially processed products, however, constituted 56 percent of reciprocal exports (pp 4, 50). Members of the Andean Pact have reached a similar level of the exchange of industrial export commodities (p 16). Many developing countries are already producing a whole

* V.V. Shmelev, "Ekonomicheskiye gruppirovki razvivayushchikhsya stran. Ekonomiko-statisticheskiy spravochnik" [Economic Groupings of the Developing Countries. Economico-Statistical Handbook], Moscow, Izdatel'stvo "Mysl'", 1984, p 215.

number of types of industrial product which are competitive on world markets, and new enterprises of the progressive, science-intensive sectors like nuclear power engineering and electronics, for example, are being created in some of them.

The dual nature of the socioeconomic consequences of economic integration in the emergent countries is manifested, apart from anything else, in participation in the same economic unions of states not only of a different political orientation but also of different socioeconomic systems.

This duality can be seen particularly distinctly in the activity of regional investment institutions, in which almost all the young independent states participate. Together with the funds of OPEC and individual oil-exporting countries they have granted throughout the time of their existence for development purposes credit, basically on preferential terms, of a sum total of $47 billion, which is the equivalent of 65 percent of World Bank credit issued in twice as long a period (p 3). However, as the work notes, these institutions have been unable to exert an appreciable influence on accomplishment of the tasks of the current stage of the national liberation movement inasmuch as the influence of the West in the regional investment banks is strong. It holds up to 60 percent of the votes in the Asian Development Bank and 45 percent in the Inter-American Development Bank; as a consequence of a lack of resources the African Development Bank was forced in 1982 to grant the imperialist powers up to 33 percent of the votes in its executive bodies. These banks depend to a considerable extent in attracting resources on Western credit banks and direct subsidies from governments of the capitalist "partners".

There has been an expansion in recent years of the developing countries' currency cooperation, which encompasses over 50 percent of them with a population constituting 65 percent of inhabitants of the developing world. A number of payment unions of the international clearing type is functioning: for the Latin American Integration Association the degree of the mutual offsetting of claims amounts to 90 percent of the cost of intraregional trade and for the Central American Common Market 100 percent. Inasmuch as the use in settlements within the economic groupings of monetary units of the Western capitalist powers is attended by the preservation of financial dependence and palpable economic costs a whole number of organizations (the Arab Currency Fund, the Asian Clearing Union, the West African Economic Community and others) has created collective currencies.

Combination of a currency fund and investment bank occurs quite often. The creation of collective institutions for financing exports from the developing countries participating in this grouping or the other is a new trend in this sphere. One of them--the Latin American Export Bank--was founded in 1975.

Up to 70 percent of the emergent states are a part of commercial unions. A number of these has been successful in developing the reciprocal exchange of industrial products. Commodity associations of the emergent states have become a market-forming factor of considerable importance of the world capitalist market. Up to 70 percent of world oil exports is controlled by OPEC, cocoa beans by the Alliance of Cocoa Bean Producers and copper by the Intergovernmental Council of Copper Exporters and 50 percent of bananas by the Union of Banana Exporters. As is known, the biggest and most stable success

in defending the interests of its members has been achieved by OPEC: in the period 1973-1980 it increased the price of liquid fuel more than 10-fold.

There has been a sharp increase in recent years in the number of groupings for the creation of joint facilities and the coordination of economic programs. According to data of the handbook in question, the volume of jointly installed facilities is quite impressive: improvement of 1 million hectares of land, development of the Amazon and La Plata river basin in a total area of over 10 million square kilometers and the construction of long highways (the Trans-Asian, Trans-African, Trans-Saharan and others) and railroads. Hydropower stations with a total capacity of 17 million kilowatts are being erected and plants for the smelting of aluminum of a capacity of 400,000 tons and urea of 570,000 tons are being installed. Sectorial comprehensive programs: food (the Caribbean Community) and industrial (ASEAN) are being implemented within the framework of the coordination of management-economic policy.

Thus merely in the less than two decades of the existence of the economic organizations of Asian, African and Latin American states they have become a tangible factor of world-economic relations. Furthermore, in accordance with a number of decisions of the nonaligned movement--the 1979 Arusha Program and the documents of the seventh top-level conference in Delhi (1983)--a considerable expansion of integration measures is planned. It is already a question of a transition to interregional cooperation: by means of the introduction of mutual customs preferences by all Asian, African and Latin American countries, the creation of a developing countries' bank and so forth.

The handbook will undoubtedly find a very wide readership: from specialists--scholars, teachers and practical workers studying questions of relations with developing countries--through lecturers, propagandists, students and all who are interested in current problems of international life. In our view, it would be advisable to organize the periodical publication of such aids, regularly updating their content and statistical data.

COPYRIGHT: Izdatel'stvo TsK KPSS "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya". 1985

8850
CSO: 1816/16

END

END OF FICHE DATE FILMED

31 OcT 85